Italian politics
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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY JANUARY 27 1994

Student charged with firing blanks at Prince Charles

Prince Charles's personal bodyguard Colin Trimming steers the Prince to one side after a young man charged towards him and fired two blank shots with a starting pistol shortly before an Australia Day ceremony in Sydney. He was unharmed and immediately resumed his address after police and security men hustled away the suspect. Police later charged David Kang, 23, with six offences relating to the incident. Police said Kang wrote to the Prince last month protesting about the treatment of Cambodian boat people being held in detention camps in Australia.

Hosokawa digs in: Japan's prime minister Morihiro Hosokawa said he plans to fight on in office even if parliament does not pass measures to reform the country's scandal-ridden political system by Saturday. Page 18

'10 dead' in supermarket accident: Ten people were believed killed and at least 90 injured when the roof of a supermarket collapsed in the French Riviera city of Nice.

Steel tube groups merger: French, German and Italian steel tube companies won approval to merge after the European Commission overturned a recommendation that the deal be blocked because it could be anti-competitive. Page 18; *Strength of ambition fuels steel group, Page 21*

Brussels warning over Bull cash: The French government was warned by the European Commission that it could face action in the European Court of Justice unless it froze a FFr2.5bn ($420m) capital injection for Groupe Bull, the loss-making computer group. Page 18

Compaq Computer, which aims to become the world's largest personal computer maker by the end of next year, more than doubled year-end net income to $462m amid "unprecedented demand" for its products. Page 19

Clinton bullish on budget deficit: Next year's US budget deficit will be less than $180bn, President Bill Clinton predicted in his State of the Union address, compared with the $300bn many analysts were forecasting when he took office last year. Page 5

Hussein ready to meet Rabin: King Hussein of Jordan said for the first time he was willing to meet Israeli prime minister Yitzhak Rabin in a move that could bolster the Mideast peace process. Page 4

Philip Morris, US cigarette, food and beer group, saw fourth-quarter net profits slump to $339m following the cut in the price of Marlboro cigarettes and a heavy restructuring charge. Page 19

German inflation down: Germany's annual inflation rate fell to 3.4 per cent in the month to mid-January. The Bundesbank called the better-than-expected figure "good news". Page 2

Canada's smugglers force tax cut pledge: Canada's federal government and the Quebec provincial government promised to cut and maybe abolish the high taxes widely blamed for a surge in cigarette smuggling. Page 5

Metallgesellschaft concern over US arm: Fresh evidence has emerged that the Metallgesellschaft supervisory board was uneasy about the activities of the group's US subsidiaries months before difficulties at its New York trading arm drove the group to the brink of collapse. Page 19

Indian pit blast: At least 55 miners were feared killed after an explosion and fire at the Newkenda coal mine, about 250km north of Calcutta, India.

Romania warms to Nato: Romania signed a partnership document with Nato and said it wanted to become a full member of the western military alliance.

Musical frontiers extended: Classic FM, a UK commercial classical music radio station launched in 1992, plans to provide a service to all of Europe. Page 6

■ STOCK MARKET INDICES

FT-SE 100:	3,436.1	(-7.9)
Yield	3.43	
FT-SE Eurotrack 100	1,490.98	(+5.88)
FT-SE-A All-Share	1,724.56	(-0.2%)
Nikkei	19,138.21	(+489.85)
New York: lunchtime		
Dow Jones Ind Ave	3,907.44	(+12.1)
S&P Composite	473.18	(+2.18)

■ US LUNCHTIME RATES

Federal Funds:	3 1/16%
3-mo Treas Bills: Yld	2.972%
Long Bond	98 7/32
Yield	6.332%

■ LONDON MONEY

3-mo Interbank	5 7/16%	(Same)
Liffe long gilt future	Mar 119 1/4	(Mar 119 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$14.31	(14.14)

■ Gold

New York Comex (Feb)	$384.6	(381.6)
London	$383.55	(382.3)

■ STERLING

New York lunchtime:		
$	1.493	
London:		
$	1.4926	(1.494)
DM	2.6089	(2.6187)
FFr	8.8534	(8.8759)
SFr	2.1976	(2.1955)
Y	164.807	(166.056)
£ Index	82.4	(82.6)

■ DOLLAR

New York lunchtime:		
DM	1.74715	
FFr	5.932	
SFr	1.472	
Y	110.05	
London:		
DM	1.748	(1.7528)
FFr	5.9317	(5.941)
SFr	1.4724	(1.4695)
Y	110.42	(111.155)
$ Index	67.3	(67.5)

Tokyo close Y 110.24

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft155	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L10000
						UAE	Dh12.00

Finance minister warns of 'economic coup' headed by Chernomyrdin

Yeltsin bows to hardliners as Fyodorov quits post

By Leyla Boulton in Moscow and Peter Norman in London

President Boris Yeltsin appeared yesterday to opt for an inflationary economic policy to appease a parliament dominated by communist and ultra-nationalists by accepting the departure of his reformist finance minister.

Mr Boris Fyodorov resigned with a warning that an "economic coup had taken place" headed by Mr Victor Chernomyrdin, the Russian prime minister, which would plunge the country into disaster.

Mr Fyodorov said he was quitting after a half-hour meeting with Mr Yeltsin, who reportedly told him, "You cannot leave at a time like this and throw everything away". But hemade no effort to meet any of his conditions for staying.

The new acting finance minister will be Mr Sergei Dubinin, presently a deputy finance minister, who is unlikely to fight for his reformist views with the same energy as Mr Fyodorov.

Mr Yeltsin's decision comes shortly before an International Monetary Fund mission is due in Moscow to examine economic reform prospects.

The latest stage in the battle over Russian economic policy could further undermine the west's readiness to step up financial support for Russian reform.

Finance ministers from the Group of Seven leading industrial countries are expected next month to discuss the economic crisis and political upheaval.

Mr Theo Waigel, the German finance minister, has invited his colleagues from the US, Japan, France, Britain, Italy and Canada to a meeting in the Schloss Hotel at Kronberg, north of Frankfurt.

*The German minister has pro*posed that the meeting should be held on February 26 and that Mr Michel Camdessus, managing director of the IMF, should attend. The ministers want to meet Mr Alexander Shokhin, the middle-of-the-road reformer who last week was made economics minister, after the G7 talks.

Mr Fyodorov said an inevitable *rise in inflation*, a fall in living standards and a continuing drop in output would demonstrate there was no alternative to the policies he had embraced. He also warned that "a dead end reached at the people's expense" could trigger a social explosion.

He said: "Having in the cabinet people who have caused the country colossal political and economic harm and are opposed *to reform is unacceptable.*"

Mr Fyodorov told the Financial Times his main reason for leaving was President Yeltsin's refusal to fire Mr Victor Gerashchenko, the central bank chairman, whom he accused of undermining his attempts to institute fiscal discipline and a tight monetary policy. "This was a must. If I tightened [spending] in the government, they would go to *Gerashchenko [for money].*"

Mr Yeltsin refused to offer Mr Fyodorov a promotion to first deputy prime minister, meaning he would be placed beneath Mr Alexander Zaveriukha, the pro-Communist deputy prime minister for agriculture whose departure Mr Fyodorov had demanded.

In a final plea to the president issued after his resignation, Mr Fyodorov said: "We are witness*ing an economic coup and a* reversal of reforms. You are our only hope."

Utility to sell stake, Page 2

Associated Press

Vladimir Zhirinovsky, leader of Russia's rightwing Liberal Democratic party, responds to critics at a press conference in Moscow yesterday. Mr Zhirinoviksy faces prosecution on charges of "warmongering"

Germany plans freer gas and electricity market

By Quentin Peel in Bonn

The German government is drawing up legislation to open the country's highly regulated market for electricity and gas.

A draft law which would allow access to the energy supply grids will be presented to the cabinet before Easter, Mr Günter Rexrodt, the economics minister, said yesterday.

The move would allow domestic and foreign competitors to take on the main energy utilities including RWE, Veba's PreussenElektra and Bayernwerk, as well as Ruhrgas, the country's leading gas importer and distributor.

It is likely to be fiercely resisted by the big utilities, the local authorities which are their leading shareholders, and by the trade unions and opposition Social Democrats because of worries about job security and the quality of services.

Mr Rexrodt insisted yesterday the change had the backing of *the ruling coalition in Bonn*, and he was determined to make it law before the next election. It is part of the government's programme to create jobs and stimulate growth, approved last week by the coalition partners and yesterday in cabinet.

"I know this is stirring up a hornet's nest," he said. "We will face a united front of opposition. But we have the consumers supporting us, for whom electricity and gas in Germany have been too expensive for far too long."

The new law will outlaw agreements between the utilities which set demarcation lines between their operations, with each supplying all energy demand in their own areas. Instead, it will give transmission rights to other gas and electricity suppliers, allowing them access to the national and regional grids.

Mr Johann Eekhoff, the state secretary for economics, said the intention was to open up competition in the German market before the European Union allowed cross-border energy supplies from 1998. Germany would

Continued on Page 18

German inflation fall beats forecasts, Page 2

Berlusconi quits business to enter politics

By Robert Graham in Rome

Mr Silvio Berlusconi, the media magnate, abandoned his position as chairman of Italy's third-largest private business empire yesterday in favour of an uncertain career as head of a new political grouping, Forza Italia – "Come on, Italy" – to fight a general election in March.

It is the first time in recent years that such a prominent business figure has switched from business to politics in any European democracy. Mr Berlusconi said he was entering politics "because I don't want to live in an illiberal country run by immature people linked to the political and economic failures of the past".

The announcement was made in a video message sent to television stations controlled by his Fininvest group and those of state-run television. State television was last night resisting pressure from him to run either the full eight-minute version of his announcement or a four-minute version on the ground that it was unsolicited political propaganda.

Mr Berlusconi's entry into politics has been an on-off affair since last December. Until now he has been holding back, in part because he threatens to split the centre-right vote even more.

His principal enemy, the former communist party of the Democratic Left (PDS), said Mr Berlusconi could not easily distance himself from his media interests and there were clear conflicts. Indeed, Fininvest made clear that Mr Berlusconi's ownership would remain unchanged. He was simply abandoning any management role.

Fininvest controls more than 80 per cent of Italy's commercial television networks, as well as two newspapers and magazines.

His move also raises questions about the financial health of Fininvest, whose profit figures in recent days analysts have begun to question. Its 1992 profit was L21bn ($12.3m) in the published accounts with debt at L4,500bn, 43 per cent of turnover. Part of his empire, Silvio Berlusconi Enterprises, has been due to be floated to raise money.

Of Forza Italia, Mr Berlusconi said of his grouping yesterday: "It won't be the traditional faction-ridden grouping. On the contrary it will have the opposite aim – of uniting people to give Italy the majority and government the country needs and deserves . . . We want to renovate Italian society."

Mercedes faces third loss at truck division

By Kevin Done, Motor Industry Correspondent, in Stuttgart

The commercial vehicle operations of Mercedes-Benz, the world's leading truck maker, will suffer a third successive annual loss in 1994, Mr Helmut Werner, chief executive, warned yesterday.

The car division, which also suffered an operating loss in 1993, was expected to return to profit, however, helped by a forecast 12 per cent increase in sales to 570,000.

Mr Werner said Mercedes, the automotive subsidiary of Daimler-Benz, had embarked on a "radical rethinking" of its production structure and would increase the share of its car production outside Germany to 10 per cent in the medium-term from 2 per cent at present. Production would rise in countries *such as the US, Mexico, South* Korea and India. Mercedes expected shortly to sign a deal with Tata, the Indian vehicle maker, to assemble up to 15,000 E-Class cars a year from 1995.

The company *would also cut* the level of in-house manufacturing from 45 per cent at present to below 40 per cent by 1998, making greater use of outside components suppliers.

Mr Werner said Mercedes planned to enter more co-operative ventures with other vehicle makers and suppliers. It was also seeking a significant increase in productivity, not only in labour but also in capital and organisation. Capital spending was being cut to DM18.7bn ($10.6bn) in the five years from 1994 to 1998 from the DM21bn previously planned for 1993 to 1997.

Turnover was *forecast to rise* by 5 per cent this year to DM68bn following a 3 per cent fall last year to DM64.6bn. Daimler-Benz, of which Mercedes accounts for about two-thirds of group turnover, made a loss of DM2bn in the first nine months of 1993 under US accounting rules.

"We shall be able to achieve more with our available funds than in the past," Mr Werner said. "High investment expenditure is not always a sign of efficient performance."

Capital productivity had fallen steadily in recent years leading *to "a dramatic increase in depre*ciation", he said. "We have to deploy our investment more efficiently." The company had cut costs by DM4bn in 1993, and planned to close the cost gap *with Japanese producers by 1998.*

Mercedes planned to cut its domestic workforce by a further 8,000 jobs this year to 151,000 by the end of 1994. Passenger vehicle production – cars and four wheel drive vehicles – was forecast to jump to 850,000-900,000 by 1998 with the addition of new ranges.

US pledges Patriots for South Korea

By John Burton in Seoul

The US is to send Patriot air defence missiles to South Korea to protect against any surprise missile attack from North Korea.

Confirmation of the move in Washington yesterday by Mr Frank Wisner, defence under-secretary, followed strong indications from South Korean foreign ministry officials that the deployment would go ahead.

The discussions between Washington and Seoul reflect increased concern about tension on the Korean peninsula after North Korea's refusal to allow international inspections of its nuclear facilities.

"The threat of North Korean missiles is very real," said Mr Hong Soon-young, South Korea's vice-foreign minister.

North Korea last year tested *the Rodong-1, an improved* variant of the Soviet Scud missile with an estimated range of 1,000km.

The stationing of Patriot missiles would be the first publicly announced *strengthening of* US forces in South Korea since North Korea blocked nuclear inspections a year ago.

The South Korean defence ministry said last week there was a risk of a North Korean

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Ahern delivers on tax promise

By Tim Coone in Dublin

Mr Bertie Ahern, the Irish finance minister, has delivered on his promise to accelerate tax reform and give a boost to domestic demand in his 1994 budget unveiled yesterday.

Hailed in advance as a "budget for jobs", Mr Ahern has focused his new measures on easing the tax burden for the lower paid, by a substantial widening of the standard rate tax band, eliminating a 1 per cent income levy, reducing employers' and employees' national insurance contributions and increasing personal income tax allowances.

The effect of these reliefs will be to increase disposable income at the lower end of the income scale by I£333m ($478m), equivalent to 1.1 per cent of GNP. Overall private sector consumption is estimated to grow by 4 per cent in 1994. This should boost consumer and business confidence, especially in those industries manufacturing mainly for the domestic market and which have experienced the heaviest job losses over the past three years.

Although the Irish economy has one of the best performing economies in the EU, exhibiting growth averaging 5 per cent since 1987, a low fiscal deficit and low inflation, these successes have not stemmed the rising tide of unemployment, which now stands at 18.4 per cent of the workforce – almost twice the EC average. This budget, although unlikely to make a dramatic impact on the jobless figure, should nonetheless help to reverse the trend without fuelling inflationary fears.

Mr Ahern said the budget is aimed at creating "faster sustainable economic and employment growth" which would keep government borrowing "comfortably below 3 per cent of GNP". Inflation is "unlikely to exceed 2.5 per cent" in 1994, compared to 1.5 per cent in 1993, he said.

GNP growth in 1994 is projected at 3.75 per cent. He said capital spending is set to grow by 7.3 per cent, while construction-related spending is budgeted to grow by 9 per cent.

Mr Ahern has partially offset the expansionary effects of the budget, by increasing excise duties on beer, tobacco and spirits, and shifting some of the tax burden to middle and higher income groups, and reducing a range of discretionary tax reliefs. Property taxes are also to increase. The net effect of the measures will result in a cost to the exchequer of I£162m.

Government borrowing is targeted at I£798m in 1994, or 2.7 per cent of GNP, only 0.2 percentage points higher than in 1993. This will be reassuring news for the financial markets looking out for signs of any slackening of fiscal discipline which could have adverse implications for inflation and the exchange rate.

Opposition leaders, however, were critical of Mr Ahern for not going further with tax reforms. Mr Ivan Yates, the spokesman for the Fine Gael party, described the budget as "modest, conservative and unimaginative". Mr Mike Allen, head of Ireland's National Organisation of the Unemployed, said the budget was "good from the point of view of business, but we remain to be convinced that it will produce the jobs it promised". The government's own projections are for unemployment to fall only 5,000 to 289,000.

Andrew Hill examines the policy significance of the go-ahead given to a controversial steel-tube joint venture

Van Miert equal to the competition despite defeat

The European Commission's decision yesterday not to block a three-way joint venture between French, German and Italian steel-tube manufacturers is a small blow to the pride of Mr Karel Van Miert, the competition commissioner.

It is the Belgian socialist's first defeat on a proposal to the Commission since he took over the job from the UK's Sir Leon Brittan a year ago.

The setback has again raised the question among competition policy purists of whether Mr Van Miert is fighting his corner as fiercely as Sir Leon used to.

Mr Van Miert did back his officials' case against the steel-tube venture – based on the supposition that it would have created an anti-competitive "duopoly" in the EU market – although he was said to have had some initial doubts about the argument. However, as one respected Brussels competition lawyer put it yesterday: "I think he's basically conscientious and balanced, but Leon Brittan would have been able to get it through."

Evidence from the same Commission meeting and Mr Van Miert's 12 months in the job suggests that such an analysis is too harsh. Yesterday, commissioners also approved, without discussion, a tough line towards French government subsidies to Bull, the computer group, and endorsed Mr Van Miert's move to open an investigation into aid for the Klöckner steel mill in the German state of Bremen.

Indeed, Mr Van Miert seems to be proving more than equal to tackling state subsidies – the area he has identified as his greatest challenge when he took over the job.

He set the tone at a conference organised by French public-sector companies a year ago: directors of France's largest utilities heaped praise on "Mon cher Karel" and addressed him informally as "tu": Mr Van Miert chose to address them throughout with the polite French "vous".

Since then, he has shown particular grit in persuading governments to agree unanimously to subsidy cuts in the sensitive steel sector, although he admits the December decision was an unsatisfactory compromise. Moreover, observers believe Mr Van Miert's style – more emollient and less confrontational than Sir Leon's – probably helped persuade suspicious fellow commissioners to agree controversial plans last year for further liberalisation of the telecommunications sector.

Mr Claus-Dieter Ehlermann, who has headed the Commission's competition policy directorate under Sir Leon and Mr Van Miert, says such liberalisation programmes will reinforce the importance of his department's policy over the next few years. In particular, the internal market and the Commission's plans for trans-European networks – large *infrastructure projects in telecoms,* information technology, energy and transport sectors – would be undermined if Brussels abandoned a strong competition policy. "The existence of trans-European networks presupposes that the goods which are transported on them circulate freely," he points out.

Certainly, competition policy remains the staple dish on the commissioners' weekly menu of decisions.

Even when new legislative proposals are thin on the ground – as has been the case over the past two years – the volume of competition decisions rarely flags. For example, under Mr Van Miert the Commission last year took 58 merger decisions, compared with 60 the previous year under Sir Leon. Some 435 state aid cases were decided, against 502 in 1992, with roughly the same proportion of positive and negative decisions under both regimes.

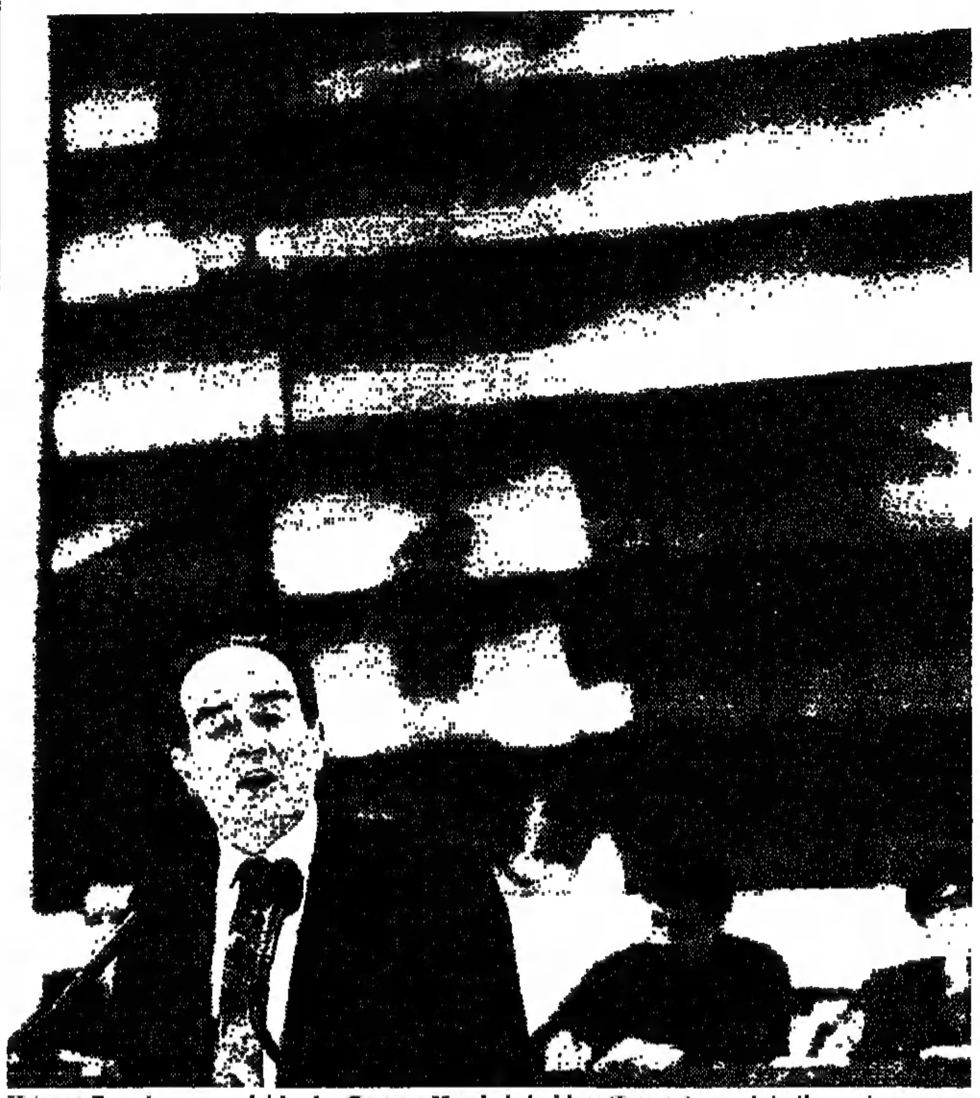
In fact, the same questions are raised by competition specialists now, as used to be raised when Sir Leon Brittan was in charge of the dossier.

Brussels-based competition lawyers agree that yesterday's steel-tubes decision is a setback for officials in the Commission's merger task force.

Had the joint venture been blocked it would have been only the second deal to be outlawed in the three-year history of the EU's merger regulation. It would also have established an important legal precedent, by allowing the Commission to take potential duopolies into account when examining the implications of mergers and joint ventures, even when the companies involved had no structural links.

But for Mr Van Miert, the decision amounts simply to further evidence that even the best-argued recommendation on competition policy is still subject to the vagaries of a political decision by 17 commissioners.

In that respect, nothing has changed since the days of Sir Leon, and, as lawyers point out, nothing will change unless Brussels decides to take the great leap towards the establishment of an independent European competition authority.



Veteran French communist leader Georges Marchais in his retirement speech to the party congress yesterday admitted his 22 years had been a bitter period of errors and decline – but said better times lay ahead if the party stood by its ideals
Associated Press

Fall in German inflation renews interest rate calls

By Christopher Parkes in Frankfurt and Quentin Peel in Bonn

GERMAN ECONOMIC FORECASTS (real %age change year-on-year)	1993*			1994		
	West	East	All	West	East	All
GDP	-1.9	6.3	-1.3	0.5 – 1	6 – 8	1 – 1.5
Private consumption	-0.2	1.2	-0.1	0 – -1	0 – 1	0 – -1.0
State consumption	-1.3	2.6	-0.7	0 – -1	-1 – -2	0 – -1.0
Capital investment	-5.6	15.0	-3.3	0 – 1	12 – 14	2 – 4
Exports	-7.3	-1.9	-11.1	3 – 4	6 – 8	3 – 4
Imports	-10.8	3.6	-11.3	1.5 – 2.5	2 – 4	1 – 2
Consumer prices	3.5	8.0	4.1	about 3	4 – 5	about 3
Unemployment (%)	7.4	15.1	8.8	8.5	16.0	10.0

Source: Federal Economics Ministry
**Provisional results*

The annual inflation rate in Germany fell to 3.4 per cent in the month to mid-January, in spite of New Year increases in fuel and vehicle taxes, pensions and insurance contributions, according to provisional figures from the federal statistics office.

The rate compares with 3.7 per cent in the previous month, and was lower than expected by most economists.

While the latest figure was welcomed as "good news" for the German Bundesbank, few analysts expect that it will be enough to justify a cut in short-term interest rates at next Thursday's central bank meeting.

It does suggest, however, that Germany is in line for an average inflation rate of below 3 per cent for 1994 as a whole, as forecast by the government's annual economic report, published yesterday.

Confirmation of the rest of the government's forecasts, including a growth rate for gross domestic product of between 1.0 and 1.5 per cent, brought a sceptical response from both German industry, and the opposition Social Democrats (SPD).

Only on its gloomy outlook for unemployment, suggesting an increase of up to 450,000 in the number of jobless, to around 3.9m, a national rate of around 10 per cent, is there general agreement.

The government figures were presented by Mr Günter Rexrodt, the economics minister, who insisted that they were sober and realistic. He said that although the latest increase in fuel prices and insurance payments might cause a temporary setback in the first quarter, the west German economy had clearly begun to recover from last year's sharp downturn.

The German federation of industry said it would be "delighted" if the government's forecast proved correct, but insisted that there was still no evidence to confirm it. The BDI said that with the exception of exports, all the main components in economic demand – private consumption, state consumption and private and public investments – were less favourable in its own calculations.

Mr Uwe Jens, the economics spokesman for the SPD, called for rapid and clear moves by the Bundesbank to reduce its lead interest rates.

However, recent speeches and statements by top bank officials have made it clear that further interest rate cuts depend mostly on further moderation in money supply. The bank sees the broad M3 measure of monetary growth, which expanded above target last year, as an early warning system for future inflation.

Mr Johann Wilhelm Gaddum, the Bundesbank vice-president, said on Tuesday: "We will make further interest rate reductions when the data – especially money supply – develop according to our targets."

December M3 figures, due next week, are expected to be well above the 6.5 per cent upper target limit for 1993, due to "distortions by special factors", according to Mr Otmar Issing, a member of the bank directorate.

But in an interview with the Börsen-Zeitung newspaper, he held out the prospect of a marked improvement in the January figures.

France demands tougher action by west in Bosnia

By David Buchan and agencies in Paris and Robert Mauthner in London

France yesterday called for Nato forces to take action to enforce UN decisions in Bosnia.

President François Mitterrand and Prime Minister Edouard Balladur said in a joint statement that Nato had agreed at a summit in Brussels this month to relieve UN troops in the Moslem enclave of Srebrenica and open Tuzla airport for aid supplies. "It is now time for this decision to be carried out, including, if necessary, by using force."

The French statement said international efforts to end fighting in former Yugoslavia had failed and none of the warring parties appeared ready to reach a peace agreement.

The international community must press for a peace accord by calling on all belligerents to make necessary concessions, the statement said.

At the same time, France has been examining ways of making the European peace plan for Bosnia more acceptable to the Moslems and thus to the US, while seeking Russian support to neutralise any hostile reaction from the Serbs, the dominant group in the war in the former Yugoslav republic.

Faced with growing frustration and internal division over keeping the largest contingent of UN troops in Bosnia, France has increased efforts to find what an Elysée official described as "a new cocktail of incentives and threats". The intention is to improve aid supplies as well as bringing the warring parties back to the negotiating table in Geneva.

The French initiative, led by Mr Alain Juppé, the foreign minister, who has this week talked to several of his EU partners and the Americans and Russians, appears aimed at getting the European Union to endorse modifications in the peace plan when their foreign ministries' political directors meet in Brussels next Monday.

A French foreign ministry official stressed yesterday that the existing peace plan, offering Moslems 33 per cent of Bosnian territory, Croats 17 per cent and Serbs 42 per cent, was "not untouchable".

Adapting the plan to favour the Moslems a bit more might not involve increasing their overall share of Bosnian territory, but might allow them to consolidate their holdings into a more manageable whole while ensuring them access to the Sava river in the north and the Adriatic in the south.

Mr Douglas Hurd, the UK foreign secretary, who visited British troops in Bosnia last week, yesterday confirmed that no decision had been taken on withdrawal of British troops from Bosnia and that the British government would "not act hastily or alone."

Romanian partnership with Nato

Romania became the first former Cold War foe of Nato to sign a partnership document with the military alliance yesterday and said it wanted to become a full member of the 16-nation body soon, Reuter reports from Brussels.

"My country considers the Partnership for Peace as a preliminary stage to Romania's future membership of Nato's political and military structures," Mr Teodor Melescanu, Romanian foreign minister, told a meeting of Nato ambassadors.

He signed the Partnership for Peace Framework Document, an initiative agreed at Nato's summit in Brussels this month.

Mr Amedeo de Franchis, Nato deputy secretary-general said the signing of the document was a "starting point", but he declined to give his view on Romania achieving full membership of the organisation.

Lithuanian President Algirdas Brazauskas, nervous of nationalism in Russia, is to sign a similar document today.

EU aid will try to remedy Russian banking defects

By Lionel Barber in Brussels

The European Union has approved a Ecu2m ($2.2m) scheme to help to remove "major defects" in the banking system in the former Soviet Union.

The defects include "a worrying lack of transparency" in the net position of credits and liabilities between banks, and between banks and customers. This lack of transparency could point to hidden insolvency problems, the European Commission said yesterday.

The Ecu2m contract will fund the dispatch of experts to the Russian central bank, and help to modernise payment and clearing systems. A portion will go to the new Inter State Bank set up to improve inter-state payments, as well as to the central banks of Ukraine and Belarus. EU officials said in Brussels yesterday that a more efficient payments system should help to reverse the collapse of inter-state trade in the former Soviet Union.

The Commission money belongs to the TACIS aid programme to eastern Europe and the former Soviet Union. The contractor is a Spanish-British consortium led by the SEMA group of Spain.

The Commission said that aid to the central bank of Belarus would "naturally" take account of the recent agreement with Russia on monetary unification.

● Sir Leon Brittan, EU Trade Commissioner, called yesterday for more aid to the former communist countries of eastern Europe, including the former Soviet Union. The EU, US and other donors should ensure that efforts do not fall short. Other Commission officials indicated that future aid is likely to be tied even more closely to the pace of reform.

Utility in privatisation plan

By Leyla Boulton in Moscow

The company which runs Russia's electricity grid and owns part or all of various power plants said yesterday it would offer 20 per cent of its capital to the public, as part of the country's mass privatisation campaign.

The decision appears to be an attempt to satisfy the government's need to make shares available to the public free of charge, in exchange for their privatisation vouchers. The sale is unlikely to change the way the company, United Energy System, is run. The government will keep 51 per cent and will continue to control electricity prices.

Mr Anatoly Dyakov, the chairman, denied the company was a "monopolistic monster", although his deputy said the share sale's attractiveness lay in the fact that the state retained control of prices.

Mr Dyakov admitted that consumers, particularly industrial users, owed Rbs2,000bn ($1.3bn) in unpaid bills. "We cannot kill the goose which lays the golden eggs," was how Mr Yevgeny Borisov, the deputy chairman, explained the company's reluctance to cut off non-payers.

Despite this, and the fact that the company has no money for the investment it wants to modernise and expand electricity production, company officials promised to pay shareholders a dividend of about 15 per cent a year. But, with inflation at 20 per cent a month, the government will be unable to fulfil its promise that investors' capital will be safe.

Unicef criticises economic reform's high human cost

By Frances Williams in Geneva

Economic and social reforms in central and eastern Europe have proved far more costly in human terms than originally anticipated, with a massive rise in poverty and widespread social disintegration, the United Nations Children's Fund says in a report* published yesterday.

Presenting the report in Geneva, Mr James Grant, Unicef's executive director, said immediate action was needed to minimise and compensate for the human cost of reform measures. While reforms were necessary, policymakers had focused almost exclusively on economic issues to the detriment of social concerns, he said.

He also criticised bilateral aid programmes for the region which he said were all too often driven by short-term commercial interests rather than the needs of the receiving country.

The report, which documents the impact of the economic slump on living conditions in nine countries since 1989, points out that while all have suffered the negative effects of reforms the crisis is most pronounced in eastern and south-eastern Europe. There, the spread of poverty, surging death rates, plunging birth rates, falling school enrolment and an unstoppable crime wave have reached "truly alarming proportions".

"These costs are not only the cause of unnecessary suffering and waste of human lives but also represent a source of considerable instability and social conflict that could threaten the entire reform process," Unicef argues. Crude death rates (for the population as a whole) were up 9 per cent in Romania, 12 per cent in Bulgaria and 32 per cent in Russia. Between 1989 and 1993 the yearly number of deaths in Russia rose by more than 500,000.

Mr Giovanni Andrea Cornia, principal author of the report, said the increase was partly due to the spread of infectious diseases such as diphtheria and tuberculosis as immunisation programmes lapsed. There has also been a serious rise in deaths from accidents, poisonings and murder. In Poland the number of suicides rose by one-third between 1989 and 1992.

Unicef notes that, although there are some signs of recovery in certain areas, only the Czech Republic appears to be slowly returning to normal. In Romania, Russia, Ukraine and, to some extent, Bulgaria the crisis is deepening.

* *Public policy and social conditions, available from Unicef International Child Development Centre, Piazza Santissima Annunziata 12, Florence, Italy*

French fashions show first deficit

By Alice Rawsthorn in Paris

The French fashion industry, traditionally one of the most prestigious elements of Gallic commerce, last year recorded its first trading deficit.

France's women's wear manufacturers saw the balance of trading swing from a surplus of FFr1bn ($160m) in 1992 to a FFr321m deficit in 1993 according to figures from the Fédération Française de la Prêt-à-porter.

Every area of the industry has been affected, from mass-market manufacturers to France's exclusive fashion houses, which face fierce competition from Italian rivals and the increasingly influential young Belgian designers.

The chief problem for French fashion was the downturn in demand from its main European markets, notably Germany where sales of French women's wear fell by a third. Sales were affected by the gloomy economic environment and by the franc's strength against other European currencies, which made it more difficult for the French to compete against the Italians.

The extent of the fall in sales to Europe was magnified by changes in the European Commission's method of compiling statistics, but these changes simply exaggerated the underlying negative trend.

French fashion did benefit last year from an increase in exports to the fast-growing Asian economies, such as South Korea and Taiwan.

Business was little better on the home front. Sales of French women's wear fell by 1.7 per cent last year in France itself. The only areas of the market to show growth were hypermarkets and mail order catalogues, which specialise in selling cut-price fashions.

EU rules on car sales 'a disaster'

A European consumers' group yesterday called for an end to the system of exclusive distribution networks for EU car sales, writes John Griffiths.

The Bureau Européen des Unions de Consommateurs claimed that the system, which is exempt from normal EU competition rules, has worked against consumers' interests while providing virtually none of the benefits claimed by Europe's motor industry.

BEUC's denunciation came in Brussels less than 24 hours after the Industry Commissioner, Mr Martin Bangemann, had suggested the 10-year "block exemption" from competition rules could be extended after it expires in 1995.

BEUC's director, Mr Jim Murray, yesterday claimed that the exemption had been "an unmitigated disaster" for consumers. It had restricted competition, denying consumers freedom to buy competitively-priced cars throughout the EU. Price differentials between member states remained wider than could be accounted for by tax differentials or currency movements, and manufacturers and dealers had obstructed attempts by consumers to buy cars abroad.

The Competition Commissioner, Mr Karel Van Miert, is expected to be less sympathetic towards renewing the exemption than Mr Bangemann.

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NEWS: WORLD TRADE

Deal still not written off

Friction over talks on Japan market access

By George Graham in Washington and Michiyo Nakamoto in Tokyo

US and Japanese officials resumed technical discussions yesterday on improving access to key sectors of the Japanese market, after failing to make progress in higher-level talks that broke up on Tuesday night.

Senior US officials said there were still "substantial stumbling blocks" in the way of reaching a satisfactory agreement in time for the summit meeting of President Bill Clinton and Prime Minister Morihiro Hosokawa, in Washington on February 11.

The Clinton administration is seeking expanded US exports to Japan under a framework agreement negotiated last year, and is targeting Japanese barriers to sales of cars and automotive parts, insurance, and government procurement of medical and telecommunications equipment.

However, a US official said talks in the automotive sector were "at a complete impasse", while progress so far on insurance and government procurement was marginal.

US officials said there were still major problems both over the goals they would like to set for increased market penetration, and over the objective criteria they insist on setting to measure progress.

"If there are no objective criteria, there are no agreements – period," said a senior negotiator.

Other officials reiterated the US position that they would rather have no agreements than sign something that failed to achieve their market access goals, but they said that it was too early to write off the possibility of reaching a satisfactory deal.

"The rhythm of these things has always been that there's an awfully slow run-up," one senior offical said.

Under the framework agreement, the US committed itself to reduce its budget deficit and increase its national savings and competitiveness, while Japan promised to achieve a highly significant reduction in its trade surplus with the US, as well as a significant increase in import penetration.

In Tokyo, Mr Andrew Card, president of the American Automobile Manufacturers' Association, has called on Japan to create a market environment that would assure US car makers sales in Japan of 100,000 vehicles a year in three years' time. This would be used as a benchmark figure to measure US access to the Japanese car market.

Mr Card, who served as transportation secretary under President George Bush, indicated that such a benchmark would help US carmakers justify making the necessary effort to penetrate further the Japanese market by ensuring that their work would be rewarded.

Last year, US carmakers exported about 14,000 cars to Japan.

His remarks reflect the continuing insistence on the US part on the use of quantitative targets in opening Japan's markets to foreign goods despite repeated Japanese resistance to such targets on the grounds that these would lead to managed trade.

Continuing failure to break the deadlock in the bilateral trade talks, despite several sessions, has led to growing friction and distrust between negotiators on each side.

While each side insists that the Clinton-Hosokawa summit is still scheduled to go ahead, in spite of the current political turmoil in Japan and the receding possibility that concrete US-Japanese agreements can be hammered out in time, there are also growing signs that the US is reviewing its options in case the summit is postponed or turns out to be unsatisfactory.

Mr Lloyd Bentsen, US treasury secretary, said in Tokyo this week that the US might have to review the basis of its trade talks with Japan if the framework negotiations on trade and economic matters were to prove unsatisfactory.

Prime Minister Hosokawa (left) needs an accord by next month but Treasury Secretary Bentsen is threatening a basic re-think

Czech capital pressure

Rising inflows of foreign capital are increasing pressures on the Czech authorities to speed moves to make the crown fully convertible, reports Patrick Blum in Vienna.

Provisional estimates put capital inflows in the Czech Republic at \$1.4bn (£939m) last year, more than the \$1.2bn recorded in 1992 for Czechoslovakia. Of last year's total, about \$600m was in direct investment and about \$100m-\$200m in portfolio investment, with the rest in loans and credits.

The completion this year of the first round of voucher privatisation, with shares in about 1,000 companies sold to the public, and the start of trading on the Prague stock exchange in June, have encouraged foreign investment in Czech stocks and securities.

Chinese plant order for Zimmer

By Christopher Parkes in Frankfurt

Zimmer, a Frankfurt engineering and construction group, has won a DM140m (£53m) turn-key contract to equip and start a polyester plant in Acheng City, 1,000km north east of Beijing.

The order, by China Heilongjiang Polyester Plant and China National Machinery and Equipment, brings the total number of polymer and synthetic fibre contracts undertaken by Zimmer in China to 45 in the past 17 years.

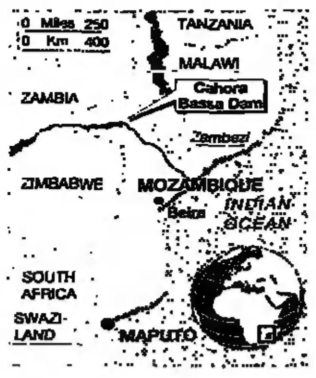
The new plant is due to be commissioned in 1996. The contract includes fitting out a polyester polycondensation plant with an annual capacity of 80,000 tonnes of polyester chips and polymer, and a staple fibre spinning facility.

Liquid polymer output will be used in a single-line process to produce up to 33,000 tonnes of polyester staple fibre a year.

Finance will come via a credit facility of Kreditanstalt für Wiederaufbau and the Bank of China for a Hermes-covered buyer's credit of 85 per cent of the order value.

Hope for Mozambique energy

By Leslie Crawford in Maputo



Mozambique is poised to become an energy exporter, thanks to the end of the country's 17-year civil war and to an international project to rebuild power lines supplying electricity to South Africa from the Cahora Bassa hydro-electric dam.

Portugal, the former colonial power, South Africa and Mozambique are finalising the details of a \$105m (£70m) financial package to rebuild 1,800 pylons destroyed by South African-backed rebels in their war against the Marxist government in Maputo.

When energy exports can resume, Cahora Bassa will be Mozambique's biggest export earner with estimated revenues of \$56m a year, according to Mr Manuel Lopes da Costa, Portuguese ambassador in Maputo. The economy now can barely muster export revenues of \$200m a year.

South Africa has agreed to supply new electricity towers worth \$48m. Portugal will finance the procurement of cables and isolators with \$27m.

Italy had agreed to contribute \$35m but withdrew last year when its foreign aid programme came under investigation for corruption.

Mr Lopes da Costa hopes the European Union, France or the European Development Bank will fill the gap left by the Italians.

Cahora Bassa is a 2,000 MW dam on the Zambezi river, completed in 1977. Its transmission lines were a favourite and frequent target of Renamo rebels in the early 1980s. More than 200km of lines were destroyed and Cahora Bassa is operating at only 1.5 per cent capacity.

Portugal, which built the dam and holds the operating concession, has spent \$35m a year to keep it in working order. Mozambique, although entitled to a share of Cahora Bassa's export earnings, has not seen a penny because the contracts to supply the South African electricity grid have not been fulfilled.

Mr José Miguel Nicolau, planning director at the national power company, Electricidade de Moçambique, hopes reconstruction will begin in July, at the start of the dry season. It should take 36 months to complete.

Gatt support on environmental links

By Frances Williams in Geneva

Broad support for wide-ranging talks on the links between trade and the environment was voiced yesterday by members of the General Agreement on Tariffs and Trade, at their annual meeting in Geneva.

Ministers are to meet in Marrakesh in April to sign the Uruguay Round accords. They also are due to approve a Gatt work programme on trade and environment, the details of which will be thrashed out in negotiations among the world trade body's 115 members over the next two months.

However, trade officials said yesterday that these negotiations had only just started in earnest and that many governments had yet to take a firm position on the issues to be covered.

Gatt's working group on environmental measures and international trade, which reported to the annual meeting yesterday, has already paved the way for further work in three key areas: the trade provisions of international environmental agreements, transparency of national environment regulations, and the trade effects of packaging and labelling requirements aimed at protecting the environment.

However, environmental groups are pressing for the work programme to include "eco-dumping" – the competitive advantage alleged to be gained by countries with low environmental standards – and the ability of governments to restrict imports produced in environmentally unfriendly ways.

The annual meeting earlier decided:

- To establish an independent disputes panel to examine claims by several tobacco-producing nations that new US rules on local content for cigarette manufacturers are illegal under Gatt;
- To set up a working party to negotiate Gatt entry terms for Jordan.

Asean urged to step up trade

South-east Asian nations should increase trade among themselves if they want to maintain the pace of economic growth in their region, an official of the European Parliament said yesterday, AP reports from Manila.

Mr Ben Visser, first vice-chairman of a visiting 19-member European Parliament delegation, spoke to a news conference at the end of a three-day visit, the first stop on a tour which will also take them to Thailand, Vietnam and South Korea.

Mr Visser, from the Netherlands, said the six members of the Association of South-east Asian Nations should spearhead trade in the region. He added that Asean (which is made up of the Philippines, Thailand, Indonesia, Singapore, Brunei and Malaysia) must work out an arrangement similar to that of the European Union.

He said that, despite problems in Europe, 80 per cent of all trade by European nations is within the continent. Regional trade within Asean accounts for only 15 per cent, he said.

King Hussein willing to meet Rabin

By Julian Ozanne in Jerusalem

King Hussein of Jordan yesterday said, for the first time, he was willing soon to meet Mr Yitzhak Rabin, the Israeli prime minister. The move could bolster efforts to reach a comprehensive Middle East peace.

"I hope an opportunity will arise before too long," King Hussein said after meeting Mr Warren Christopher, US secretary of state, in Washington.

Israel, anxious for increasing Arab recognition abroad and peace dividends at home, has been urging the US to arrange a summit with King Hussein in return for US assistance with Jordan's external debt. Mr Shimon Peres, Israeli foreign minister, met the king secretly in Jordan last November. Israel says a detailed peace agreement with Jordan was concluded, but the king has been reluctant to sign a formal peace with Israel before Syria and Lebanon.

The king's offer will be welcomed in Israel which has been focusing its sights on a level of co-operation with President Hafez al-Assad of Syria.

Mr Rabin said yesterday that his government "yearned" to strike a lasting regional peace agreement this year and urged Mr Assad to "go the extra mile" and assure Israelis that Syria had long-term, peaceful intentions towards the Jewish state.

In a solemn address to the parliamentary assembly of the Council of Europe in Strasbourg, Mr Rabin urged Syria and other Arab states not to lose precious time and to seek bilateral agreements in Washington. "Israel is ready for peace and willing to take risks and make dramatic decisions but any risk or decision should be well calculated."

Mr Rabin said Israel needed to be sure that Syria genuinely means peace and security. "We are looking for a peace that would last for generations to come – a peace that will put an end to the suffering and fear of all the peoples of the Middle East."

In an emotional moment, Mr Rabin recalled his days as army chief of staff during the 1967 Six Day War: "Only one who, year after year, stands facing thousands and ten of thousands of silent mourners in the cemeteries on our memorial day – only one who has seen worlds destroyed and families devastated – knows just how important is peace to us and also for our neighbours."

However, he also warned Palestinian extremists who reject peace with Israel. "To them I say: no knife, no stone, no firearm, no bomb, no landmine will stop us. We will continue to strike hard without flinching... We strive for peace but we will continue to fight for our right to live in Israel in peace and tranquility."

Mr Rabin accused some European nations of ambivalence towards the Jewish state and urged Europeans to help break the Arab economic boycott of Israel. He said Europe should take a more direct role in Middle East peace talks, adding that Israel did not need Europe's money which should be directed to Palestinians to help consolidate the peace agreement.

He also made a surprise offer to allow Libyan leader Muammer Gadaffi to visit Islamic holy sites in Jerusalem.

Mr Rabin's remarks came a day after Israel's President Ezer Weizman showered rare praise on the Syrian leader, saying he held the key to Middle East peace and was a man of integrity, sincerity and honour.

"I see the key to further peace in the Middle East in finding a solution to Syria, which obviously depends on President Assad. And I still see Assad as a leader through whom peace can be achieved," Mr Weizman said during a visit to Turkey.

Israeli officials said secret bilateral talks with Syria in Washington have shown signs of progress since Mr Assad said he wanted "normal" peaceful relations with Israel during a meeting with President Bill Clinton in Geneva earlier this month.

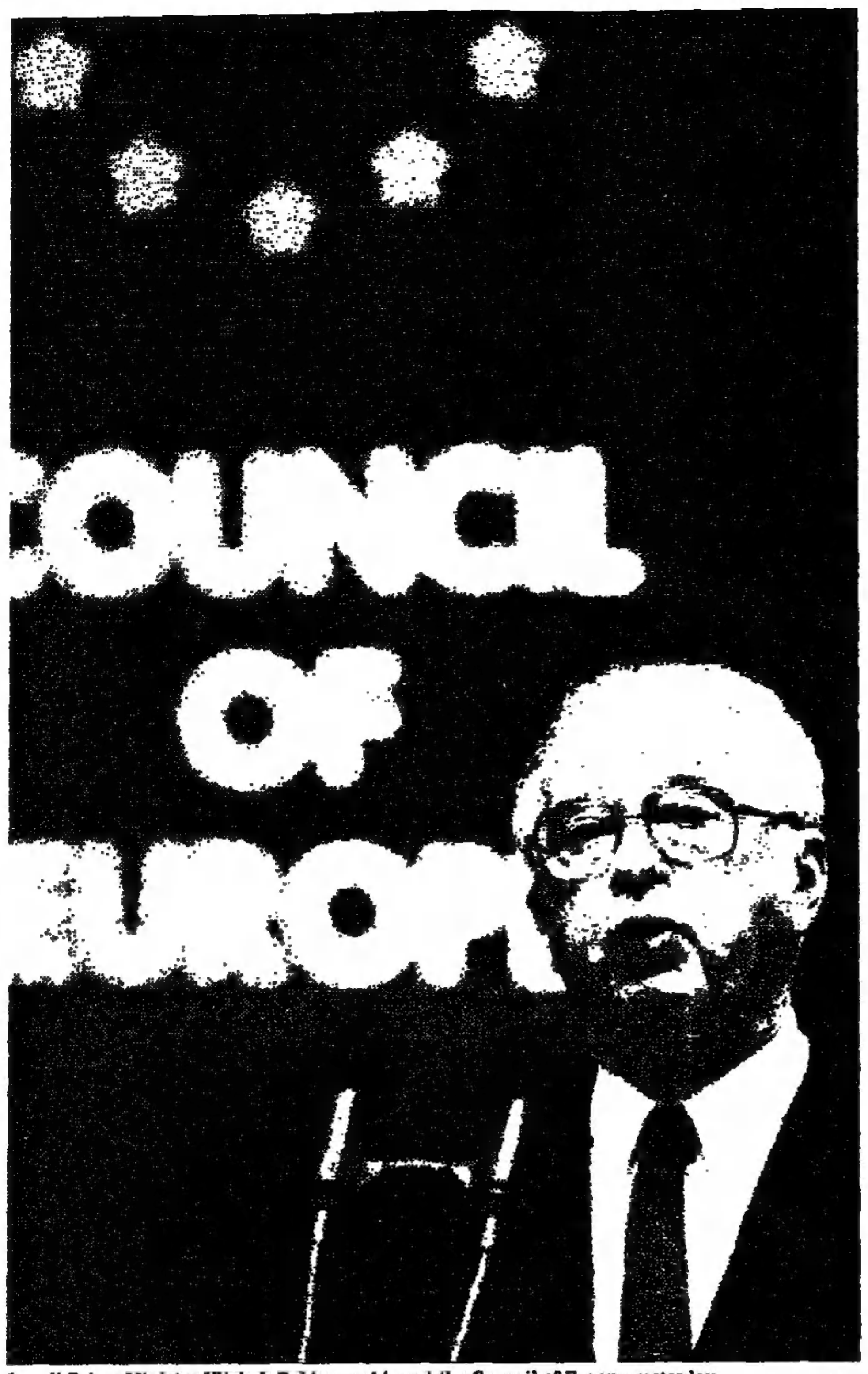
● As Israel focused on peace talks with Syria, Israeli and Palestinian officials yesterday adjourned their hastily arranged talks in Cairo, adds **Mark Nicholson.**

The talks were called on Tuesday evening to try to hammer out an agreed document that would break the deadlock on implementation of Palestinian self-rule in the Gaza Strip and West Bank area of Jericho.

Palestine Liberation Organisation negotiator Nabil Shaath said: "We are making progress," but did not elaborate except to say: "All the day we have been drafting."

The main disagreements are over security arrangements at the border posts between Egypt and Gaza and between Jordan and Jericho, how much land the Israeli army will retain to protect Jewish settlers in Gaza and the size of the Jericho area.

Israeli officials sought to dampen hopes that Mr Peres and Mr Yassir Arafat, PLO chairman, would sign an agreement when they meet in Switzerland at the weekend.



Israeli Prime Minister Yitzhak Rabin speaking at the Council of Europe yesterday Reuter

UK is odd man out in China diplomacy

Beijing eases conflicts with other security council members, writes **Tony Walker**

When Chinese foreign minister Qian Qichen concluded a visit to Paris this week, he achieved more than simply restoring equilibrium to a troubled relationship.

The Sino-French rapprochement means that China has now reduced the number of serious diplomatic conflicts with fellow members of the world's most exclusive club, the UN Security Council, to one – its dispute with Britain over Hong Kong.

Nothing could have contrasted more sharply than the emollient words uttered in Paris at the conclusion of Mr Qian's visit and the continuing sour exchanges between Beijing and London.

Indeed, troubled Sino-British relations appear to have taken a further turn for the worse with the row over the financing of the new Hong Kong airport flaring up in a way that does not augur well for amicable resolution.

China's warning that it would refuse to honour after 1997 financing for the new HK$160bn (£13.9bn) airport project threatens to strike at the heart of arrangements for a smooth transfer of power. No other capital works project is as important to Hong Kong's integration with the mainland, and the colony's future economic well-being.

Britain's problems with China have also been cast in starker relief in recent days by the conspicuous improvement in fractious Sino-US relations after Washington's decision last September to end the "downward spiral" in its dealings with the People's Republic.

Since the Clinton administration resolved to "re-engage" China, a steady stream of senior American officials has passed through Beijing, culminating in the visit last week of Mr Lloyd Bentsen, the US treasury secretary.

These visits have also been accompanied by tangible progress on bothersome issues, including trade disputes, smuggling and illegal immigration. The signing this month, after reasonably amicable negotiations, of a three-year textile quota agreement attested to an improved working relationship.

Efforts to lay the groundwork for renewal by President Clinton of most favoured nation (MFN) trading status for China by obliging Beijing to address the human rights issue appear to be making progress; but US officials say that China is still some distance away from meeting Mr Clinton's criteria of "overall, significant improvement" on human rights.

In Paris this week, China appeared to make an important concession by agreeing to discuss for the first time specific US concerns about 235 political prisoners. That undertaking came at a meeting between Mr Qian and Mr Warren Christopher, the US secretary of state.

While Mr Christopher repeated a standard administration line after his session with Mr Qian that China had not met the criteria for continued preferential access to the US market, there is no doubt that odds on MFN renewal have shortened.

"This meeting has carried the process forward but we also believe there is considerable work to be done," said Mr Winston Lord, assistant secretary of state, former US ambassador to Beijing and chief architect of the Clinton administration's policy on China.

A western official in Beijing said that while human rights issues were certain to continue to bedevil China's dealings with the west, there were tentative signs that Beijing may at last be recognising that it could not continue to stonewall western pressures.

"The Americans may have finally convinced the Chinese of the US domestic reality, and that they will have to do something tangible on human rights," he said. "The cynical release of a few prisoners on the eve of the MFN decision simply won't fly any more."

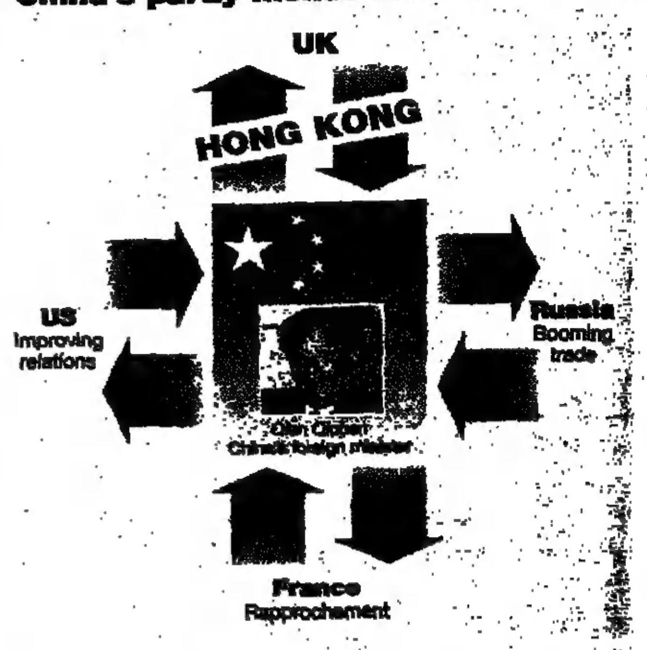
China's fence-mending with both the French and the Americans also coincides with the visit to Beijing this week of Mr Andrei Kozyrev, the Russian foreign minister at the head of a mission which includes defence experts.

China is seeking increased Russian assistance in the development of its defence industries. It is also anxious to further expand and regulate booming border trade. Total trade between Russia and China increased by 30 per cent last year compared with 1993. Eighty per cent of this trade is conducted through some 20 border crossings.

For the Russians, no less than for the Americans and French, access to the booming China market is the engine driving diplomatic relations. France's decision to foreswear further arms sales to Taiwan as the price of better China relations – what France's President François Mitterrand described as a "new orientation" – is recognition of China's growing economic clout.

For London, mired in a seemingly intractable dispute over Hong Kong, the unhappy prospect is for continued sour exchanges with Beijing, accompanied by the risk of damage to UK commercial prospects. Emboldened by its success in forcing France to stop new arms sales to Taiwan, and assuming that it clears the MFN hurdle, Beijing is even less likely to yield ground over Hong Kong.

China's partly mended fences



Philippines in credit agreement with IMF

By José Galang in Manila

The Philippines has negotiated a new credit facility of SDR475m ($653m) with the International Monetary Fund to support the Philippines' growth-oriented economic programme for the three years to 1997.

The agreement was concluded yesterday by a visiting technical team from the Fund and a panel of government officials led by Mr Gabriel Singson, governor of Bangko Sentral, the central bank.

The IMF has closely supervised the drafting of Manila's economic policies since the early 1960s.

Mr Singson expressed his belief that the new IMF credit programme will help "lay a firm basis for faster and sustainable [economic] growth."

The Philippines, which has been without an IMF economic programme since March 1993, has managed to sustain economic growth as well as to control inflation and monetary expansion.

The credit will come from the IMF's Extended Fund Facility, the institution's window for medium-term financing. Previous programmes for the country had been standby agreements, which were for shorter periods and carried tough conditions.

The new programme should enable the Philippine government to attain this year's growth target of 4.5 per cent, after last year's 2.5 per cent.

Mr Fidel Ramos, the Philippine president, said: "This is it. We can now proceed with our plans to move our economy forward and achieve our aspiration to join the club of newly industrialising countries by the turn of the century."

The programme, which is subject to further review by the IMF technical team before formal board approval around April, targets economic growth to rise to 6.5 per cent next year and about 8 per cent by 1997.

Mr Michel Camdessus, the IMF managing director, is expected to visit Manila in February. That will be followed by a visit by Mr Lewis Preston, the World Bank president, in March or April.

NEWS IN BRIEF

De Klerk and Mugabe meet

South Africa, Zimbabwe and Botswana yesterday agreed to launch a joint initiative to resolve the military crisis in Lesotho, **Reuter reports from Gaborone.**

The summit in the Botswana capital marked the first face-to-face meeting of South African President F W de Klerk and Zimbabwean President Robert Mugabe. It was also the first joint foreign mission by Mr de Klerk and Mr Nelson Mandela, the African National Congress leader. Mr Mugabe said Botswana and South Africa would help the efforts to defuse the Lesotho crisis.

India eases mining curbs

India has decided, as part of its economic reform programme, to open the state-owned mining industry wider to foreign and domestic private companies, **Reuter reports from New Delhi.**

United News of India said that the government had issued an ordinance to allow foreign investment in mining firms and lift restrictions on foreign equity holding.

The ordinance would permit any company registered in India, irrespective of its foreign equity holding, to apply for a mining lease or prospecting licence. Earlier laws restricted foreign equity in these companies to 40 per cent.

Egypt offered aid pledges

Egypt has won aid pledges of between $2bn to $3bn a year to help bolster its economic reforms, Mr Youssef Boutros-Ghali, minister of state for international co-operation, said yesterday, **Reuter reports from Paris.** Mr Boutros-Ghali, in Paris for a meeting with aid donors, said he had had informal contacts with the Paris Club of creditor nations and said a debt relief programme was proceeding normally.

Egypt is due to receive a final 20 per cent of debt forgiveness in July, following a 1991 deal by which the Paris Club agreed to halve Egypt's official debt in return for its role in the Gulf War, on condition that it pursue economic reforms. Almost $1bn of the aid is likely to come from the US, western officials said.

S Korean bank chiefs fired

The presidents of two South Korean commercial banks will be dismissed by the government in response to a new financial scandal, the country's finance minister said yesterday, **writes John Burton in Seoul.**

The action to sack the heads of the Bank of Seoul and Donghwa Bank followed the arrest on Monday of Ms Chang Young-ja, a relative of former President Chun Doo-hwan, on fraud charges.

Prince soothes republicans

Prince Charles, heir to the British throne, last night sent a conciliatory message to Australia's republicans, saying that the decision on whether the nation should become a republic was "something which only the Australian people can decide," **writes Nikki Tait in Sydney.**

Speaking at Australia Day celebrations in Sydney, the prince referred to the "sheer speed of change" in the world.

The speech came less than an hour after a man had broken through the crowd at Darling Harbour and fired a starting pistol before charging towards the prince. The man was wrestled to the ground by plain-clothes police and the prince was unharmed.

Australian's arrest sought

A Brisbane district court judge has issued a warrant for the arrest of Mr Christopher Skase, the failed Australian businessman, at present living in Spain, **writes Nikki Tait in Sydney.**

Mr Skase faces 32 charges brought by the Australian Securities Commission and related to the management of his now-defunct Qintex media group.

Slovo dismisses business fears

By Matthew Curtin in Johannesburg

Mr Joe Slovo, the national chairman of the South African Communist party, yesterday said that business concerns that the ANC and its allies were bent on nationalisation were unwarranted. At a meeting of prominent businessmen, he emphasised that there should be no cause for concern about the future independence of the mining industry.

Mr Slovo, fourth on the ANC's electoral list and a strong contender for a seat in the non-racial parliament, said the organisation did not advance "a mechanistic policy of across-the-board nationalisation" because it would prove too costly and counter-productive. He described the "hullabaloo" about "nationalising" mineral rights as alarmist because the ANC's intention was to only ensure a new government had room for intervention in the sector.

"The Chamber of Mines knows perfectly well it is not going to lose its mines," he added. However, nationalisation remained a policy option and the SACP retained its ultimate vision of achieving "socialised means of production".

The long-standing dispute between the ANC and South Africa's mining houses gathered momentum last week after the publication of the organisation's reconstruction and development programme. Mr Paul Jordan, the ANC's co-ordinator of mineral and energy affairs policy, proposed that a new government would seek the return of mineral rights from the private sector and intervene in the management and marketing of minerals.

On Tuesday, an ANC briefing on its mining policy provoked an angry reaction from industry leaders. Representatives from Anglo American, Johannesburg Consolidated Investment and Gencor said the ANC's proposals flew in the face of economic reality.

Libya demands repayments

Libya's economy minister yesterday demanded that foreign countries pay back money they owe or risk losing the assets of their companies working in Libya, agencies report from Sirte.

Mr Omar Mustafa el-Montasser told a session of the General People's Congress that Libya was owed from abroad a total of $1.353bn (£900m) and FFr22bn (£2.47bn), including interest on delayed payments.

The minister said his government had asked the countries involved to reimburse cash. Those unable to do so would reimburse Libya in various ways from the assets of their companies in Libya, or through imports of goods and products from their countries, or by Libya taking stakes in their companies.

The source of the minister's figures was not clear. It was not known whether he meant Libya would seize the assets of some foreign companies in Libya. Many foreign firms work in Libya's oil industry.

His statement appeared to mark retaliation for UN sanctions imposed on Libya because of its refusal to hand over for trial two agents suspected of carrying out the bombing of a Pan Am aircraft over Lockerbie, Scotland, in 1988. The sanctions were tightened in December to include a freeze of Libyan assets abroad and a ban on imports of certain oil equipment.

Prime minister Abouzid Omar Dourdah said on Sunday that Libya had sharply cut its budget forecast for 1994 because of difficulties caused by the sanctions.

"The cut amounts to several billions [of dollars]," he said after a commission of the Congress had adopted the draft budget. "As a result of the unjust UN sanctions, we have been forced to cut our expenses in several domains like education and health."

Central Asians cut loose from Moscow

Steve LeVine reports on an attempt to establish a tripartite economic union

The largest republics in Central Asia, Kazakhstan and Uzbekistan, are reducing their dependence on Russia in the run-up to their agreed formation of a common market with Kyrgyzstan on February 1.

The breach became evident at the start of the year when Kazakhstan and Uzbekistan formed their own economic union and gained momentum this week when Kyrgyzstan joined the breakaway grouping, representing open antagonism from a region which had previously valued close ties with Moscow and even opposed the Soviet break-up.

The new distaste for and worry about Moscow follow increasingly vocal demands from Russia for part of the wealth in the resource-rich Caucasus and Central Asia, particularly giant oil and natural gas deals under negotiation in Kazakhstan and Azerbaijan.

The demands for percentages and equity holdings in exploration and extraction contracts have been echoed by Russian nationalists such as Mr Vladimir Zhirinovsky who insist on reclaiming the empire and the spoils that go with it.

In loosening ties with Moscow, Kazakhstan, Uzbekistan and Kyrgyzstan have also moved away from their two Central Asian neighbours, Tajikistan and Turkmenistan, both of which have elected to remain as either economic or political satellites. Tajikistan has handed over supervision of both its security and economy to Moscow, while Turkmenistan is pursuing a course of appeasement with Moscow.

Kazakhstan, which has the second-largest oil reserves in the former Soviet Union, including two of the world's 10 largest oil fields, has recently altered the tone of its statements on Russia to almost open hostility. Despite Kazakhstan's vulnerability to its northern neighbour, with an ethnic Russian population of 38 per cent, the republic's state secretary, Mr Tulebek Zhukeev, has taken the risky step of publicly denouncing Moscow's "imperial ambitions".

Mr Zhukeev recently announced his government would charge Russia $7bn in annual rent for the Baykanur space station and two military test sites. Demonstrating the sentiment behind the pricey demands, Mr Zhukeev declared: "This will bankrupt Russia."

The Kazakh government has reason to be upset with Russia. While demanding $1.2bn (£803m) in 1993 debts to Russian state enterprises, Moscow has not paid for huge coal shipments from Kazakhstan's Karagan region. At the same time, raw material shipments from Russia have become unreliable.

The Central Asian economic union is meant to co-ordinate economic, monetary and labour policy. It would create a region larger than western Europe, with a combined population of 48m but possessing as much oil and mineral wealth as some leading Gulf states. The grouping will abolish customs procedures and tariffs and co-operate on economic policies. It aims to encourage growth of trade between members.

Another motive, however, is to erect a front-line defence against Moscow's growing political demands, including one that ethnic Russian citizens in Central Asia be granted dual nationality, a demand rejected by Uzbekistan and Kazakhstan as an unacceptable infringement of their sovereignty.

In short, the Kazakh and Uzbek leaderships want Moscow to back off. This may not be accomplished, said a senior diplomat in Tashkent, but at the least "the union makes it easier to deal with Russia both economically and politically".

Turkey has expressed apprehension over the spectre of Russian military involvement in the Caucasus and Central Asia, where there are large Turkic-speaking populations. "This is a black hole into which Turkey is trying not to sink," said Mr Ozdem Samberk, Turkey's deputy foreign minister, writes Steve LeVine.

Turkish officials are also smarting over the shelving of a $1.4bn (£938m) pipeline they had been championing to carry oil from Azerbaijan, through Turkey, to the Mediterranean port of Ceyhan. Instead, Moscow has been putting pressure on Azerbaijan and Kazakhstan to ship oil and natural gas through the Russian Black Sea port at Novorossisk.

"The West must make a distinction between support of democracy in Russia, and support for the restoration of its imperial designs," Mr Samberk said.

Tough-talker Clinton slays the 'naysayers'

The president demands results in his domestic crusade, reports Jurek Martin

STATE OF THE UNION

If giving speeches were all there was to government, and if the US constitution allowed it, Ronald Reagan would have been elected president-for-life – and so, on Tuesday night's form, might Bill Clinton. In fact there was quite a lot of the old Republican gunslinger in the first official State of the Union address by the self-proclaimed "new kind of Democrat".

The call-to-arms for a better America, with or without the assistance of Congress, and the brandishing of his pen as he threatened to veto any healthcare legislation that did not provide universal insurance coverage were borrowed from the Reagan handbook. So too were the acknowledgement of ordinary (and not so ordinary) people in the public galleries and the symbolically artful seating at either side of Mrs Hillary Clinton of Jack Smith, head of General Motors, and Lane Kirkland, the trade union leader.

Critics might also complain that the 64-minute speech was too long, yet short on new proposals, especially on the revived promise to "end welfare as we know it". Foreigners might lament that its external passage was both perfunctory and predictable and Republicans that the president keeps stealing their clothes.

But reservations must be placed in context. The State of the Union address offers all presidents a stage and – for a Democrat, old or new, welcomed by a Democratic Congress – an audience guaranteed to applaud often and loudly. And it found Mr Clinton in vintage missionary form on his favourite subject, domestic reform. The country, he concluded in ringing tones, "is growing stronger but it must be stronger still".

It was tough for the opposition to muster an effective immediate response. Senator Bob Dole, the Republican leader, speaking woodenly from his office without the benefit of partisan cheering, could only proclaim that there was no healthcare crisis, and complain about higher taxes.

Potentially far more revealing, though still to be approached with a degree of cynicism, was the reaction of Congressman Newt Gingrich of Georgia, the firebrand conservative. "There is a potential, if this speech was sincere, for a remarkable coalition that could pass a lot of stuff," especially on crime and welfare. He added approvingly that Mr Clinton was now talking his kind of language.

This, indeed, was the political message of the address. Mr Clinton drew his line in the sand, insisted that an improving economy was no excuse for delaying more reform and gave the distinct impression that he did not care from which side of the political aisle he derived support for his crusade. But he warned, too, that the body politic was ultimately accountable to the public – "those who hold our feet to the fire".

Americans, he said, would not heed the siren songs of the special vested interests and the "naysayers who fear we will not be equal to the challenges of our time and who misread our history, our heritage and even today's headlines".

There were micro-political messages, too. The president's promise to bring in soon substantive proposals to change the welfare system and explicitly to link this with healthcare reform was a clear nod in the direction of Senator Daniel Patrick Moynihan, the New York Democrat who chairs the Senate finance committee.

The senator, an intellectual, if temperamental, original in this Congress, has become miffed with the administration. He has declared, like Senator Dole, that there is no national healthcare crisis and threatened to make trouble for the health proposals if his welfare hobby horse was relegated in priority – which is precisely what the White House intended at the start of this year.

At least he was satisfied with Mr Clinton's commitment on Tuesday night, though as the president went on to expound with much greater passion on the imperative of healthcare reform he can have been left in little doubt where the Clinton heart lies.

But this, too, had a political need. The momentum for changes in healthcare, accelerated by the rapturously received presidential address to Congress last September, has slowed over the last two months. Other issues such as Nafta, gun control and Mr Clinton's European trip have intruded while the insurance and medical professions have begun to launch effective propaganda campaigns. It had become incumbent on Mr Clinton to regain the initiative.

His ecumenical side was also much in evidence in the coda to his address on crime and on the responsibility of individuals to make their communities safer.

Much of what he said appeals to conservatives – mandatory sentencing for violent offenders, more police on the streets, the restoration of family values – but some, specifically the calls for ever tighter gun control, does not.

Violent crime is now a perennial political issue. Every president since Lyndon Johnson has attacked it and Congress loves to debate it, though the effect of the efforts of both may be questioned, not least because conservatives and liberals have rarely been able to agree on the right prescriptions.

But at least the Senate last year passed, by 95 votes to four, an omnibus crime bill that now awaits action by the House, while both chambers approved waiting limits for purchasers of handguns. This measure was now the Brady Law, Mr Clinton said with pride as he clapped Mr James Brady, the former presidential press secretary, who from his wheelchair in the galleries proudly waved his walking stick back in return.

There is always a risk of overloading Congress, especially in the run-up to mid-term elections. It is possible now that fixation with crime will make harder action on health and welfare reform, both immensely complicated and controversial, as well as other items on the president's heavy agenda such as worker retraining, campaign finance reform, more controls on lobbyists and the creation of an information superhighway.

But, from his Tuesday night pulpit, Mr Clinton was brooking no delay. "Our deepest and most profound problems" could not be left to "petty political fighting". If words were all – and he used them very well – he would be home and dry.

Clinton speaks: warning and coaxing Congress

Violent crime

'Violent crime and the fear it provokes are crippling our society, limiting personal freedom and fraying the ties that bind us.'

'Every day, the national peace is shattered by crime...The problem of violence is an American problem. It has no partisan or philosophical element. Therefore, I urge you to... set aside partisan differences and pass a strong, smart, tough crime bill.'

Health and welfare

'I want to make this very clear...If you send me legislation that does not guarantee every American private health insurance that can never be taken away, you will force me to take this pen, veto the legislation, and we'll come right back here and start all over again.'

'I know it will be difficult to tackle welfare reform in 1994 at the same time we tackle healthcare. But let me point out, I think it is inevitable and imperative.'

The federal budget

'It will cut spending in more than 300 programmes, eliminate 100 domestic programmes and reform the way government buys its goods and services. This year, we must make the hard choices again to live within the hard spending ceilings we have set.'

'The budget...draws the line against further defence cuts. It fully protects the readiness and quality of our forces.'

Foreign policy

'Our support of reform (in Russia and the other former Soviet republics) must combine patience, for the enormity of the task, and vigilance, for our fundamental interests and values. We will continue to urge Russia and the other states to press ahead with economic reforms.'

'As we build a more constructive relationship with China, we must continue to insist on clear signs of improvements in that nation's human rights record.'

Changing of the old guard may shift power structure

By George Graham in Washington

For many senior members listening to President Bill Clinton's State of the Union speech in Congress on Tuesday night, it was the last time they will have front row seats for such an address.

Members are retiring or seeking other office in record numbers, driven out by age, cynicism or fatigue. Many others face a hard fight to win re-election.

Complaints that the Congress has become more partisan and less rewarding are widespread among those who have chosen to leave.

"Partisan politics and negative campaigning have so poisoned the system that reasoned, good faith debate on policy is now the exception when once it was the norm," said Congressman Austin Murphy of Pennsylvania. Congressman Al McCandless of California said he simply wanted a leisurely breakfast and more time with his grandchildren.

The 1992 election had already brought in a crowd of new faces: 110 members of the House of Representatives and 14 senators.

But so far this session 19 House members with 348 years of legislative experience between them – 14 of them Democrats – have announced their retirement after the November 8 election. Six senators are also retiring.

Another seven House members are giving up their seats to run for governor in their home states, while nine more are trying to move up to the Senate.

Democratic leaders expect to lose some seats in November, a normal phenomenon for the president's party in the first two-yearly congressional election after a presidential victory.

But the projected swing of about 25 seats – a figure both parties agree on – would not be enough to change control of the House, where the Democrats now hold 257 of the 435 seats.

In the Senate, too, the Republicans are expected to gain another two or three seats in 34 elections that will be fought this year, but this would again not break the Democratic majority, now 56 out of 100 senators.

> 'It is time for younger people to take the reins and lead us into the next century'

The departures include some of the most influential members of the House: from Mr Bob Michel of Illinois, the Republican leader, to Mr William Ford of Michigan, chairman of the education and labour committee.

They also number some of Congress's most colourful and principled members, such as Mr Jake Pickle, a protégé of former President Lyndon Johnson.

The exodus could affect the power structure of Congress, where committee chairmanships are critically dependent on seniority. Three of the six judiciary subcommittee chairmanships will come open, and another nine subcommittee chairs will be left empty – besides Mr Ford's chairmanship of the full education and labour committee.

Even more sweeping changes could be under way, as several senior members could be persuaded to withdraw, or be defeated outright, by powerful challenges in their party primaries.

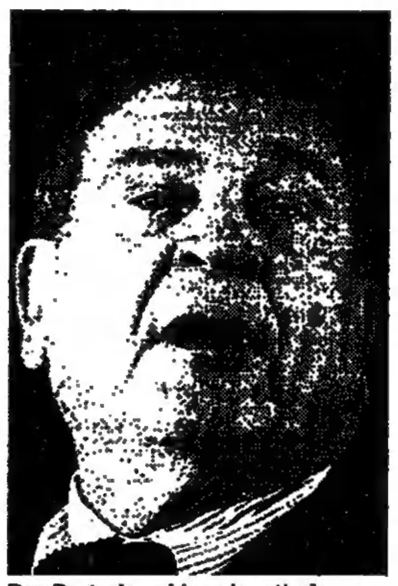
The most important figure under attack is Mr Dan Rostenkowski, who holds sway over tax matters as chairman of the ways and means committee. Still the target of a Justice Department investigation, Mr Rostenkowski's popularity in his Illinois district has rarely been lower.

Mr Jamie Whitten of Mississippi, whose 52 years in the House are already the longest in history, has been urged by many of his colleagues, who have already eased him out of the important appropriations committee chairmanship, to go gracefully.

If he does not, he faces the most difficult race of his career against Mr Tim Ford, Speaker of the Mississippi state legislature.

On the other side of the political divide, Mr Phil Crane of Illinois, rated by Roll Call, the Capitol Hill village newspaper, as the most extreme right winger in the House, faces a tough primary.

They all might take the advice of Congressman Douglas Applegate of Ohio, who is calling it quits after 17 years in Congress. "It is time for younger people to take the reins of government and lead us into the next century. I would further suggest that other older members of Congress consider this, as well," he said.



Dan Rostenkowski: under attack

Bob Michel: influential

Budget forecast to cut deficit to $180bn

By Michael Prowse in Washington

Next year's budget deficit will be less than $180bn (£120bn), President Bill Clinton predicted in his State of the Union address, 40 per cent lower than the $300bn many analysts were forecasting when he assumed office last year.

The president said the budget for fiscal 1995, which begins in October, would be "one of the toughest budgets ever presented to Congress". More than 300 government programmes would be cut and 100 eliminated.

The full budget details will not be available until early next month. In addition to tax rises and spending restraint enacted last year, the rapid decline in the deficit appears to reflect a combination of factors. These include an unexpectedly sharp deceleration in healthcare inflation, a strong cyclical recovery which is boosting tax receipts, and lower than projected long-term interest rates which are reducing debt service costs.

Figures from the Bureau of Labour Statistics show that medical care prices rose at an annual rate of 4.4 per cent in the fourth quarter of last year. For 1993 as a whole the increase was 5.4 per cent, twice the overall rate of inflation but sharply down from 9.6 per cent as recently as 1990.

Partly as a result of slowing healthcare inflation, officials have reduced projected spending on Medicare and Medicaid, the public programmes for the elderly and poor, by about $45bn over the next five years.

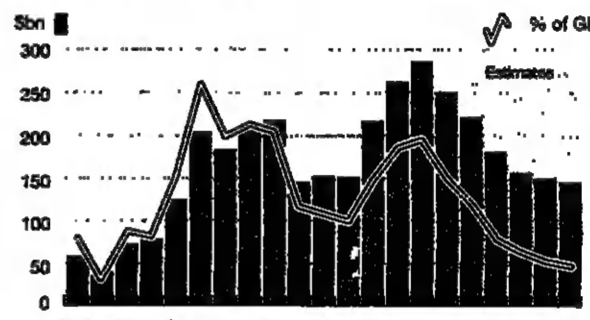
The most important factor reducing the deficit in the short term was the strong cyclical economic recovery, said Ms Susan Hering, of Salomon Brothers. Growth was boosting tax receipts, especially from the corporate sector, and cutting increases in transfer payments, for example on food stamps and unemployment insurance.

A deficit of $180bn or less in fiscal 1995 compares with last year's White House projection of a $296bn deficit, if no action were taken, or $200bn after enactment of last year's budget. But it would represent an extension of a well-established trend. The deficit peaked at $290bn in fiscal 1992 – less than the once-feared $350bn – and declined to $255bn in fiscal 1993.

Private sector analysts are projecting a deficit of $220bn-$240bn in fiscal 1994, against official projections last year of $262bn.

But whether a permanent improvement is secured will depend mainly on the durability of the slowdown in healthcare spending. That in turn will depend on the nature of reforms enacted this year.

The shrinking deficit



Source: Department of the Treasury and Salomon Brothers estimates

Smugglers force Canada to cut cigarette taxes

By Bernard Simon in Toronto

Canada's federal and Quebec governments have bowed to the commercial and political costs of rampant cigarette smuggling across the US-Canada border and look set to reverse a tradition of ever-higher taxation on tobacco products.

Both Quebec and Ottawa have promised to cut and perhaps even abolish the high federal and provincial taxes which are widely blamed for the surge in cigarette smuggling.

The problem is most acute in Quebec, where the Canadian Tobacco Manufacturers Council estimates that about two-thirds of all cigarette sales are contraband.

A group of Quebec convenience store owners, whose business has been ravaged by smuggling, earlier this week flouted the law by setting up an illegal market north of Montreal, where they sold cigarettes at the smuggled price of C$20 (£10.20) a carton, compared with the fully-taxed retail price of C$40-C$46.

Governments have become increasingly concerned at the social and political ramifications of smuggling. Much of the trade, which is centred on the St Lawrence River and Indian reserves which straddle the US-Canada border, has fallen into the hands of organised crime.

Some Indian communities have begun to manufacture their own cigarettes, and contraband products are starting to find their way on to retailers' shelves in counterfeit packaging.

The ready availability of cheap, smuggled cigarettes is also believed to have boosted consumption. Contraband packs carry less prominent health warnings.

Ottawa and the provinces have so far failed to agree on a co-ordinated tax cut. Ontario, which collects C$800m a year from tobacco taxes and is struggling to contain a yawning budget deficit, is reluctant to forfeit a sizeable source of revenue.

But the smuggling issue has gained a political dimension in Quebec, where separatists argue that the francophone province could easily put a stop to the trade if it had greater autonomy from Ottawa.

Tobacco manufacturers estimate that taxes on cigarettes will have to be chopped by about two-thirds to compete with contraband goods.

They are also banking on a rise in US cigarette taxes within the next year to narrow the price gap between the two countries.

US to act on cable TV price loopholes

The US Federal Communications Commission is expected to revise its rules on cable television pricing at a meeting next month, writes George Graham.

The FCC has been criticised for leaving too many loopholes for cable TV operators to exploit in the rules it wrote implementing a 1992 law designed to crack down on overpricing.

That law, the only legislation on which former President George Bush saw his veto overridden by a two-thirds majority of Congress, authorised the FCC to set reasonable rates for the majority of cable companies who hold a monopoly in their district.

The issue was a popular vote-getter in the 1992 election, striking a chord with customers. But many consumers felt the immediate effect of the legislation was higher rates, not the $1bn (£670m) in cuts they had been promised.

An early survey suggesting that as many as 50 per cent of customers might face higher bills for their cable TV captured widespread attention. A later study of 14 of the largest operators showed, however, that rates had fallen for 68 per cent of customers. Nevertheless, many cable companies have dodged the FCC rules by manipulating tariffs.

'Big Bang' for Chile capital markets

David Pilling on reforms in Latin America's leading financial system

Chile boasts the most sophisticated domestic financial market in Latin America – a development that has helped the country achieve the highest savings rate in the region. A new law passed by Congress this week, lifting many of the remaining market restrictions, is expected to help keep it that way.

"We believe this to be one of the most important financial reforms in many years," said Mr Julio Bustamante, chief regulator of Chile's fast-growing pension funds. "This is a project that took us more than two years to draw up and one that spent more than a year in parliament undergoing a process of refinement."

The new law broadens investment choices, introduces new financial instruments and seeks to apply international standards of regulation.

Impulse for reforms came from a desire to manage better the savings administered by Chile's private pension funds (AFPs) and to tap their resources for social needs such as infrastructure and housing.

AFPs, privatised in 1981, control $15bn in savings, more than 35 per cent of Chile's gross domestic product – and expected to reach 80 per cent by the turn of the century. Under legislation introduced in the early 1980s, employees are required to save at least 10 per cent of their wages in one of these funds.

AFPs have complained for years that over-cautious regulations have starved them of investment opportunities and dented their ability to increase profits. Pension funds and associated life-insurance companies are restricted to investing 30 per cent of their capital in blue chip stock. In practice, they have concentrated on only a handful of shares in the electricity and telecommunications sectors.

New regulations will allow AFPs gradually to extend their investments to most of Santiago's nearly 300 listed companies, provided these satisfy certain criteria. It is hoped that this will provide a financial fillip to small and medium-sized companies, and coax some of Chile's conservative – often large – family-run concerns to float on the stock market.

"I think the more companies that are eligible for AFP investment the more interest there will be among medium-sized private companies to open up to the market," said Mr Juan Andres Camus, managing director of Celfin, a local investment bank.

New instruments are also to be introduced, such as mortgage-backed securities, convertible bonds, and revenue bonds. It is hoped that the latter will encourage private capital to play a much larger role in financing badly needed infrastructure such as ports and roads. Mr Bustamante estimates that, of $500m worth of infrastructural projects planned for the next two years, institutional investors could provide up to 40 per cent.

Scope for AFP provision of venture capital and for coverage of risk through options, futures and swaps will also be expanded.

Furthermore, AFPs and other institutional investors, such as mutual funds, will be able to expand investments abroad, currently limited to 3 per cent of their portfolio in AAA-rated bank debt and gilt-edged securities. This ceiling will be raised over four years to 12 per cent, permitting AFPs to invest more than $1.3bn abroad.

"When a country is on the road to development, it doesn't only export goods – but also services and capital," said Mr Bustamante.

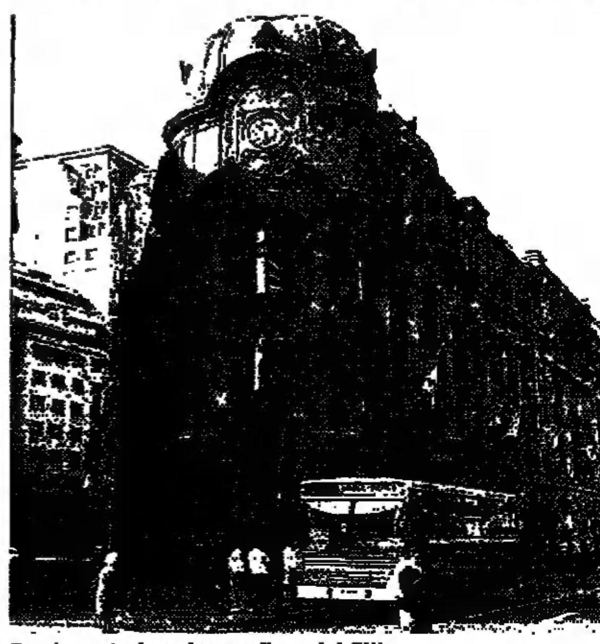
The range of foreign investment options will be widened to cover equity and bonds in investment-grade companies. AFPs will also be permitted to cover risk through currency and interest rate swaps, but will not be allowed to use such instruments for speculation.

Along with greater flexibility comes a tougher regulatory framework aimed at clamping down on abuses of new freedoms by Santiago's tight-knit business community. Reforms devote much space to defining insider dealing – still a novel concept in much of Latin America – and set minimum prison sentences for specified offences.

There is also an attempt to erect walls between pension funds, brokerages and listed companies on whose boards the same faces tend to crop up again and again. Under the new legislation, for instance, brokerage houses whose executives are board members of specific companies will be obliged to resign their directorship or cease trading in shares of that company.

Although rules pertaining to conflict of interest were softened by Senate amendments – after lobbying from interested parties – Mr Bustamante feels that the final result is satisfactory. "It will force a lot of changes," he said.

The legislation does not address foreign investment restrictions, such as a one-year repatriation period and high levels of withholding tax on stock market gains. But there are signs that the new administration, due to take over in March, may be willing to do so.



Santiago stock exchange: financial fillip Ken Wain

Oftel urged to compare UK-US phone markets

By Alan Cane

The House of Commons Public Accounts Committee – the body of MPs that scrutinises public spending – has urged Oftel, the telecommunications watchdog, to ensure that British Telecommunications' rate of return on capital employed remains "within acceptable levels".

In its first examination of a utility industry regulator, it says that Oftel should compare the UK's dominant telecommunications operators with the leading US telephone companies as a basis for assessing BT's performance.

It goes on: "These comparisons should include the rate of improvement in efficiency. As improved efficiency has a bearing on charges, we recommend that such information is made available to customers in order that they may judge the position for themselves."

The PAC was clearly concerned whether the consumer was getting a fair deal. Oftel's evidence was that BT's service had improved and that its efficiency came close to the best of the US telephone companies. Oftel had set an acceptable level of return on capital for BT of between 17.5 per cent and 19 per cent.

But in the years 1987-1992, Oftel agreed that BT had made £1.6bn more in profits than the benchmark dictated.

BT yesterday disagreed that its profits were unacceptable. It said the formula (retail prices index – 7.5 percentage points) which dictates its overall pricing was universally recognised as tough.

The report covers a broad range of topics and is especially strong on telephone services for the poor and handicapped, arguing, for example that Oftel should promote Typetalk computerised services to help the deaf.

The PAC also warned that the "999" emergency call service should not suffer from the increase in the number of operators licenced to offer telecommunications services.

Mr Don Cruikshank, Oftel director-general yesterday welcomed the report, saying it identified priorities and directions for the regulator.

BT, however, pointed out the PAC investigation had been completed last May; its conclusions were based largely on opinion rather than fact and it was already out of date, many of the recommendations – on residential call pricing, for example – having already been implemented.

Office of Telecommunications: Licence Compliance and Consumer Protection. Committee of Public Accounts Sixth Report.

Classic extends musical frontiers

By Raymond Snoddy

Classic FM, the commercial classical music radio station, plans to use a satellite to provide a service to all of Europe.

The decision is linked with last week's announcement that Classic had been awarded one of two new FM frequencies in the Netherlands by the Dutch government.

Satellite is the easiest way to deliver the Classic signal to the Dutch terrestrial radio transmitters, but it will also mean that Classic will be available to individuals across the whole of the Continent.

"It certainly makes broadcasting sense and it makes commercial sense," Sir Peter Michael, Classic FM chairman said.

As well as using the latest satellite technology Classic, whose shareholders include Time Warner, the world's largest media group, Associated Newspapers and the GWR local radio group, plans to apply for more broadcasting licences across Europe.

Sir Peter expects the process of de-regulation of broadcasting to continue across Europe and believes that classical music is one of the most international of all media sectors.

Classic, launched in 1992, is expected to apply for a new radio licence coming up in Finland and is interested in other Scandinavian markets.

Sir Peter emphasised that Classic is also prepared to look at joint ventures with Continental partners.

As part of its campaign to win the Dutch licence – there were 27 applicants for the two frequencies – Classic enlisted the support of Dutch musicians.

As a result, leading Dutch orchestras such as the Concert Gebouw are likely to feature on Classic FM.

Arts Council chairman raps government 'neglect'

By Kevin Brown,
Political Correspondent

Lord Palumbo, the outgoing chairman of Britain's Arts Council, yesterday delivered a stinging attack on the government's "irresponsible neglect" of the arts.

He said cuts over the next three years would reduce funds for artists by 12 per cent, virtually reversing a 15 per cent increase since 1989.

"This amounts to irresponsible neglect of a precious national resource which generates a threefold return for every pound of taxpayers money invested in it," he told the Lords during a debate on the arts.

"The government's timing is impeccable, coinciding with a contemporary decline in available funds for the arts from its mainstays of local authorities, box office, sponsorship and charitable foundations.

"I am well aware of the vital necessity to constrain public expenditure, but success feeds upon itself, and it should be encouraged and built upon, not penalised."

Lord Palumbo's criticism of the government reflects anger in the arts establishment over a £3.2m cut in the Arts Council budget, announced in November.

In what amounted to a comprehensive indictment of the government's arts policy, he also accused ministers of wasting £6m since 1989 in a failed attempt to achieve value for money.

"There has never been a moment in those five years when we have not been reviewed, counter-reviewed, surveyed, [and] appraised tested against market forces.

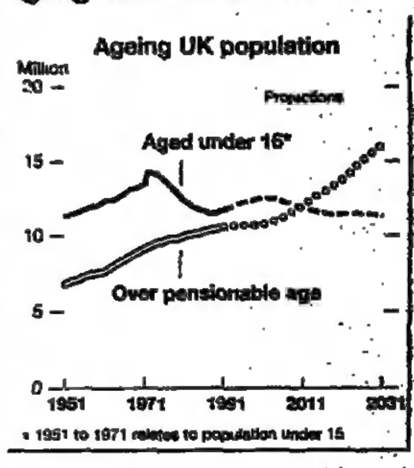
"That has cost a great deal in time and effort, and although the calculation is imprecise, it has probably cost the taxpayer something in the order of £6m."

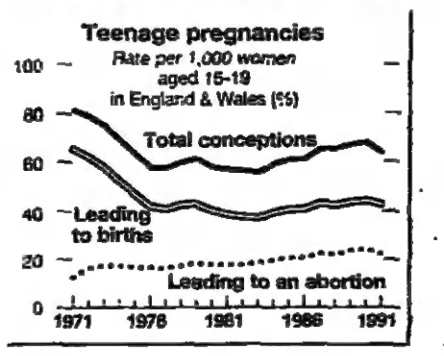
Lord Palumbo, who will be replaced in March by Lord Gowrie, a former Conservative arts minister, said the Arts Council was "not a perfect institution".

"Mistakes are sometimes made, and when they are we regret them. Equally on some occasions the blame we receive is unjust," he said.

Lord Palumbo also said the decision to divert funds from the performing arts to the refurbishment of London's Albert Memorial rather than use national lottery profits was "an act of the purest folly".

A snapshot of Britain: changing face of a nation

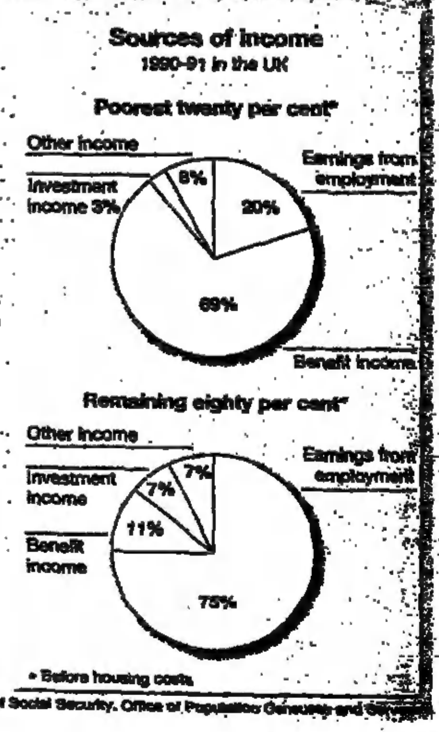


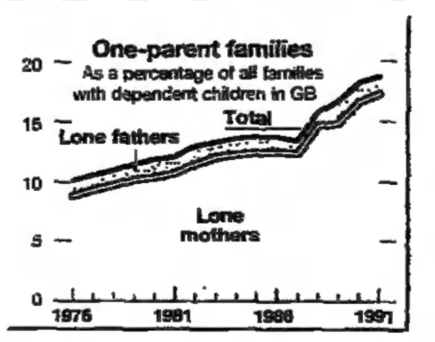


Occupation of head of household

UK by income* 1990-91	Poorest twenty per cent	The rest
Professional	1%	7%
Employers and managers	5%	17%
Non-manual	6%	17%
Skilled manual	20%	24%
Semi-skilled manual	9%	9%
Unskilled manual	4%	2%
Other employed	0	1%
Retired	26%	13%
Unemployed	30%	9%

* Before housing costs





Sources: Department of Social Security, Office of Population Censuses and Surveys

Extent of social change underlined

By Alan Pike,
Social Affairs Correspondent

The least well-off 20 per cent of Britain's population in 1990-91 derived 69 per cent of their income from state benefits, with only 20 per cent coming from employment, an article in Social Trends shows.

Earnings from employment provided 75 per cent of the income of the remaining four-fifths of the population, with benefits providing 11 per cent.

More than a quarter of the poorest group at the time of the study were retired. When added to others who were not working – either because they were unemployed, non-working single parents or had long-term illnesses – people without work make up almost 70 per cent of the poorest group.

Two-thirds of the 3m children in the poorest group lived in families that did not contain a full-time worker, compared with 11 per cent of children in the rest of the population.

An apparently unequal struggle between the conventional family and social and demographic change is shown today in Social Trends, the government's annual compendium of British life.

Political controversies over crime and the future of the welfare state have brought the role of "family values" into sharp focus. But Social Trends shows that, as the debate continues, so does the decline of the traditional family.

Couples with dependent children formed the majority of households as recently as the early 1970s. By 1992 they constituted less than 40 per cent, and it is now increasingly likely that such couples will not be married.

Single people now account for more than a quarter of all households; there has been a threefold increase in the proportion of people living alone during the past 30 years.

The biggest recent growth has been among men of working age, but the ageing of the population is another factor that will fuel a continuing increase in single-person households. By 2031, there will be more than 16m people of pensionable age in Britain's population – more than double the number in 1961.

Recent years have seen an even more striking rise in the proportion of lone-parent families – these have quadrupled since the early 1960s. The government's General Household Survey, also published this week, shows that 21 per cent of families were headed by lone parents in 1992.

Allied to this change is Social Trends's soaring graph showing the remarkable rise in births outside marriage. Almost one in three births are now to unmarried mothers – an increase from the one in 20 level that, apart from the two world wars, had persisted throughout the century until the 1960s.

Divorce, as well as births outside marriage, is contributing to the growth in single parent households. Marriages have fallen by nearly 16 per cent over the past 20 years, while divorces have more than doubled.

Some politicians hope that a renewed appreciation of the importance of community involvement will fill the gaps created by fragmenting family relationships. Evidence in Social Trends suggests that this may be wishful thinking.

Surveys show that only 4 per cent of the population have taken an active part in a political campaign. The proportion of churchgoers is, at 15 per cent, lower than in many other European countries.

Social Trends 24, HMSO.

NEWS: UK

Pressure mounts over aid deal

By James Blitz and Jimmy Burns

The British government was yesterday under increasing pressure to reveal more details about its controversial donation of aid to Malaysia in the late 1980s after a powerful House of Commons committee decided to launch a new investigation into the matter.

The all-party Select Committee on Foreign Affairs said that it would conduct inquiries into the decision by the Thatcher government in the late 1980s to give Malaysia £234m for the construction of a hydroelectric dam on the Pergau river.

The decision was officially opposed by a top Whitehall official and described by a government accountants last year as "a very bad buy".

The committee's announcement came as ministers revealed for the first time that the offer of aid had been linked to sales of £1bn worth of defence equipment to the Malaysian government. Labour MPs claimed last night that such a linkage could be illegal under British law.

There were also signs that Britain's aid contribution had been used on a number of other construction contracts, including 12 hospitals.

In a parliamentary written answer, Mr Douglas Hurd, the foreign secretary, made the first formal admission that there had been a link between the general offer of aid to Malaysia and the signing of a £1bn arms deal.

He said that on a visit to Kuala Lumpur in 1988, Mr George Younger, then defence secretary, had signed a protocol in which the Malaysian government had set out its intention to buy defence equipment from the UK.

According to Mr Hurd: "The protocol included a reference to 'aid in support of non-military aspects under this programme'." Mr Hurd stressed that "after consultation with ministerial colleagues in London" the link was later officially denied. Lord Younger wrote to the Malaysian minister of finance in June that year to say that aid could not be linked to defence sales.

"As a result the issue was not taken up in the memorandum of understanding on defence procurement which the British and Malaysian PMs signed in September 1988," Mr Hurd said.

However, Mr Hurd's comments run counter to Lord Younger's recent claims that there had only been a "verbal" linkage of the arms deal with the aid programme. It is also understood that Mrs Thatcher was forced to write a toughly worded memorandum to ministers outlining her concern that the aid deal should not be linked to the sale of arms.

The Foreign Affairs Committee should be able to summon Mr Hurd later this year to answer questions on this.

Major seeks to restore his grip on government

By David Owen and Philip Stephens

Mr John Major will tomorrow attempt to relaunch the government's troubled "back to basics" initiative in a speech seen as the start of a concerted push to rebuild his political authority.

The prime minister will use a visit to the north of England to set out his "prospectus for 1994" amid mounting pressure for him to regain a grip on the government after a month of turmoil.

Downing Street said Mr Major would use the speech to explain his policy priorities for the rest of the year.

Meanwhile, the war of words at Westminster over tax and spending priorities rumbled on, with senior Conservatives disputing a claim by Mr Gordon Brown, the shadow chancellor, that Labour had made no public spending commitments whatsoever.

Mr Michael Portillo, the chief secretary to the Treasury, promptly accused Mr Brown of "stepping on the garden rake", while Mrs Virginia Bottomley, the health secretary, wrote to Mr Brown challenging his claim on the grounds that Mr David Blunkett, her opposite number, had said Labour aimed to take Britain into the "seven per cent club" of countries which spent more than 7 per cent of their gross domestic product on healthcare.

Yesterday's exchanges on Labour's spending pledges came after Mr Brown had said in a morning radio interview that the party had "no commitment to spend money on anything".

At the same time Mr Kenneth Clarke, the chancellor, faced heavy criticism from some right-wing Tory MPs for his apparent failure to react quickly enough to Labour's attack on the government's planned tax increases.

Mr Portillo, his deputy at the Treasury, was being attacked from the left of the party for seeking to raise his own profile ahead of any challenge to Mr Major's leadership.

Amid a general mood of feverish disenchantment on the Tory backbenches, right-wing MPs were also speculating about the possible candidacies of Mr Michael Heseltine and Mr Douglas Hurd if Mr Major is threatened.

Plea to Clinton by Caterpillar unions

By Robert Taylor, Labour Correspondent

Two British unions are to ask President Bill Clinton to urge Caterpillar, the US plant and machinery maker, to restore union rights to the white-collar workforce in its production plant near Leicester.

Caterpillar has offered staff £500 each and improved benefits in return for giving up collective bargaining and moving on to individual employment contracts.

Derecognition of the unions – the technicians' union MSF and the white-collar Apex section of the GMB general union – is due to take place on April 26. Last week a majority of the workers voted in a company organised ballot to accept Caterpillar's terms.

Union leaders believe the company intends to make a similar offer to its 600 manual workers who are represented by the AEEU engineering and electrical union. If they agree, all Caterpillar UK operations would be non-union.

The unions say the company has breached article 42 of the International Labour Organisation code on multinationals, which says unions should "enjoy adequate protection against any act of interference in their functioning or administration" in the workplace.

They also accuse Caterpillar of contravening the Organisation for Economic Co-operation and Development code of conduct for multinationals.

The Geneva-based International Metalworkers Federation is also calling on the Clinton administration to put pressure on Caterpillar.

"We hope influence will be brought to bear to bring about an amicable and lasting resolution of our differences with Caterpillar in order that the company can prosper in the future," said an MSF official.

Britain in brief

Unit trust industry has 'best year'

Private investors have been abandoning building societies and rushing into equities in the face of the lowest interest rates for 16 years.

The unit trust industry yesterday said that 1993 was its best year ever. Net sales amounted to a total of £9.1bn compared with only £648.9m in 1992.

The new record had already been reached by the end of September 1993, when net sales in the year to date had reached £6.91bn, exceeding the 1987 figure of £6.33bn, the previous record for a calendar year. Of the £9.1bn in net sales, private investors accounted for £5bn and 61 per cent of this was through personal equity plans, which offer tax-free returns to private investors.

Oil production at 5-year high

North Sea oil production in December reached its highest level since the 1988 disaster which destroyed the Piper Alpha platform, figures published yesterday by the Royal Bank of Scotland show.

December production of 2.33m barrels-a-day was about 1 per cent up on November. Fourth-quarter production registered a 14 per cent rise over the same period in 1992 as new fields came on stream.

Oil production for 1993 as a whole reached a five-year high.

Gas production averaging 6.255bn cu-ft-a-day reached a three-year high. Buoyant gas prices helped to boost the average daily revenue from North Sea oil and gas production last year to £33.5m, a 13 per cent rise on the 1992 average of £29.7m.

MPs to probe milk reform

The delay in opening up the £3.3bn milk market in England and Wales to competition will be investigated next week by the cross-party Commons agriculture committee.

The committee said yesterday that it will hold a special session to look at why market liberalisation had been put back from April to November.

Government objections to the Milk Marketing Board's plans to turn itself into a voluntary farmers' co-operative have held up the introduction of competition. The committee will hear evidence from the board, agriculture ministry officials, the Dairy Trade Federation and the National Farmers' Union.

Bristol to US air link planned

Aer Lingus is to start the first scheduled service between Bristol and New York from April 3. The daily service, from Bristol's Lulsgate airport to JFK International Airport, will be via Dublin.

Meanwhile, USAir is to transfer its domestic services at JFK. The airline is switching to the British Airways terminal on March 1. USAir is BA's partner in the US.

Mr George Cooper, BA's regional manager for domestic operations, said the switch would transform arrangements for British travellers, with quicker connections to Baltimore, Charlotte, Pittsburgh, Philadelphia and other cities on the USAir network.

US blamed for TV violence

The "majority" of the violence and swearing on British television is blamed on American programmes in a report yesterday by the Broadcasting Standards Council, the government watchdog. Satellite TV is said to be particularly at fault.

Soccer match to go ahead

German authorities yesterday decided that a soccer friendly against England, controversial because it coincides with Hitler's birthday on April 20, would be played in Berlin.

Hamburg had rejected the match because of fears that it could encourage violence from German neo-Nazi groups.

● Rangers and Celtic football clubs clashed yesterday after league champions Rangers announced a ban on Celtic supporters at the next game between the clubs at Ibrox in Glasgow on April 30.

CORRECTION

Scott inquiry

The ministerial meeting about exports to Iraq chaired by Mr Douglas Hurd referred to in yesterday's FT was on July 19 1990, not June as stated.

A few heads in the European sand

Philip Stephens on Tory caution over the coming election battle

Europe is reappearing on Britain's political horizon. Groans of weary resignation are already audible in ministerial offices across Whitehall.

The proximate cause is the approach of the elections in June to the European parliament. After all, the outcome could decide Mr John Major's future. He can hope to ride out a bad result, but if Conservative losses are as disastrous as some are already predicting all bets will be off.

There is a more fundamental concern among those ministers and officials who can still find the odd moment to think about policy as well as internal Tory party politics.

As Germany and France begin to put together the pieces after last year's turmoil in the exchange rate mechanism, the government's post-Maastricht triumphalism is beginning to fade.

Maybe the rest of Europe has not after all abandoned its federalist ambitions in favour of Britain's intergovernmental agenda. With the franc now back at its former ERM rate against the D-mark, perhaps the idea of European monetary union is not quite so fanciful after all.

The way that Paris has handled the franc since the near-break up of the ERM last summer has confounded those who argued that sterling's ejection had been no more than an earlier symptom of its inevitable disintegration.

France never accepted the franc's devaluation was permanent. Unlike the British Treasury it did not replenish its foreign currency reserves at the devalued rate. Now the franc has recovered it is doing so – without the billions of dollars in losses suffered by the UK. There is talk of the ERM returning to its narrow bands as soon as economic recovery is entrenched.

The fear in Whitehall is that the recovery will bring a rekindling of the integrationist ambitions of its partners in the approach to the intergovernmental conference due in 1996.

The repeated assertion of Mr Douglas Hurd that Maastricht's intergovernmental "pillars" for foreign, defence and home affairs policies had set the European Union in a new direction no longer carry quite the same conviction. Nor does Mr Major's description of EMU as having "the quaintness of a rain dance and about the same potency".

None of this has yet been discussed in detail by senior ministers. The wounds inflicted on the Tory party by Maastricht are still raw. As one (pro-European) member of the cabinet puts its: "The hope is that if we don't talk about it, it might just go away."

The same nervousness envelops the preparation of the Conservative manifesto for the European elections.

Mr Hurd is one of the cabinet's grown-ups. But in an untypical admission of weakness he has decreed that even the membership of the committee charged with drafting the manifesto must remain secret. The Tory right might otherwise decide it was under-represented.

The only thing that ministers are prepared to say publicly about the manifesto is that it will cast the Conservatives as alone among the three largest parties in opposing something called a federal Europe.

It would be unfair though to suggest the Tories are alone in burying their heads in the sand. There are few signs that the opposition parties have thought through the implications for Britain of the 1996 conference.

The Liberal Democrats are busy toning down the undiluted commitment to European union on which they fought the general election. The judgment is that singing the praises of Brussels is not the best way to win seats in the European parliament from the Conservatives.

If his shadow cabinet colleagues are to be believed, Mr John Smith plans to treat the European elections as a referendum on Mr Major's tax record. Though there will, one supposes, be the odd reference to the social chapter and to the need for concerted cuts in European interest rates.

Europe has so far been for the Labour party a convenient staging post on its long journey to electoral respectability. But at some point it will have to develop a more detailed approach than one of simply approving all things European.

MANAGEMENT: MARKETING AND ADVERTISING

A flight path to good pricing

Michael Skapinker examines how Airtours uses data on its competitors to maximise profitability

The staff of the late bookings section of Airtours, the UK's second biggest holiday company, are looking pleased. They have just managed to raise the price of Caribbean holidays by £50.

Poring over banks of screens at Airtours' headquarters in rural Helmshore, Lancashire, the 10-strong Airtours team bears more than a passing resemblance to a group of City of London dealers. Their average age is 22 and they arrive at work at 7am.

What they are doing, however, is not trading currencies or selling bonds. On the basis of up-to-the-minute information about their competitors in the UK's £4.9bn air holiday market, they are seeking to adjust their own prices to maximise profitability.

Travel agents, whether multiple chains or independent shops, look up destinations on screen. The prices they see are set and communicated to them by the tour operators, which arrange flights and accommodation. Thomson, the biggest travel group, and Owners Abroad, the number three, change their holiday prices every night. Airtours changes its prices several times a day.

Along with the rest of the holiday industry, Airtours makes much of its cost-cutting campaigns. But like all companies, it strives to charge whatever the market can bear, pushing prices up when demand is strongest.

Late bookings indeed play a central role in determining a holiday company's profitability. The companies begin selling summer holidays in the August of the summer before, when they publish the first edition of their brochures. In January, they publish a second edition, with either higher or lower prices, depending on how sales are going and what competing companies are doing.

It is in the last eight weeks before departure that price competition becomes most intense. David Crossland, Airtours' chairman, says a third of holidays are sold during this period. There is also a winter late-booking period, when holidaymakers make last-minute purchases of skiing holidays and trips to the Caribbean.

Apart from trying to get the highest price possible, the late booking team tries to ensure that all the company's airline seats are filled.

Tour operators pay for most of their accommodation in holiday resorts only if they use it, although they do guarantee to fill a certain proportion of beds. If bookings are disappointing, they do not end up owing hoteliers large sums of money.

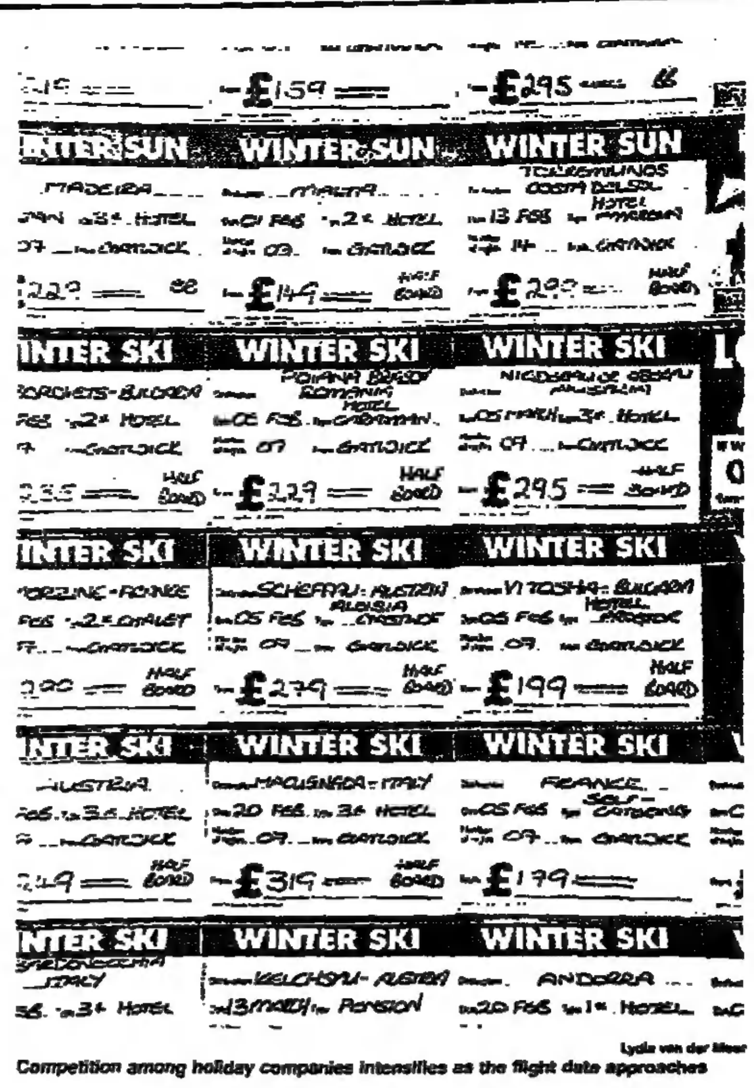
Airline seats are another matter. Airtours flies some of its customers on its own aircraft. The rest go in seats chartered from other companies. The seats have to be paid for whether they are filled or not. Flights that depart with empty seats represent a loss to the tour operator.

The Airtours late bookings team's first task of the morning is to look at the prices competitors have set overnight. They do this by using the computer information available to travel agents. Airtours owns the Going Places travel agents' chain which sells holidays organised by other operators as well. This gives Airtours access to other operators' prices. Crossland says Airtours is working on a system which will enable it to use Going Places' sales to assess how well competing operators' holidays are selling, as well as the prices being achieved.

Andrew Crossland, the 27-year-old head of the late bookings team and the chairman's son, says Airtours will not necessarily do the same if a competitor drops prices on holidays to a particular destination.

The competitor's price reduction could be temporary: the company might be attempting to fill a particular aircraft or ensure it can sell its guaranteed beds. On other occasions, the price drop might signal an attempt to take market share from rivals like Airtours. "The trick is to know when to follow the market," Andrew Crossland says.

The team says it gets to know the psychology of rival price setters, as well as of customers. When the British weather is miserable, for example, prices of sunshine resort holidays tend to be firmer.



Lydia van der Meer

Competition among holiday companies intensifies as the flight date approaches

Hanson mini-epic returns

There was a time when Charles Forsyth King ruled Wall Street. Or, as he once put it: "Ruled Wall Street? I *am* Wall Street." He built his financial empire from nothing, only to see it crumble with the collapse of the market.

After his death, friends and associates attempted in interviews to explain where he had gone wrong. Said one: "King's mistake was in preferring paper money to paper itself - he should have invested in timber." There were those who considered he should have gone for other basics such as bricks or coal.

Some thought the clue that explained King's failure lay in his single dying word . . . Hanson. It was the one thing he wished he had had.

This fictitious drama, clearly inspired by the 1941 Orson Welles movie Citizen Kane, unfolds at break-neck speed in an 80-second commercial - the first corporate television advertising from the Hanson conglomerate since 1988. The ad, supported by press advertising, has already run in the US and is now being shown in the UK.

For those who may be confused about what Hanson is trying to achieve with the ad, Steve Cooper, account director in London with Hanson's agency Lowe Group, explains: "We were looking for stature and impact. The use of any outside cultural reference tends to raise the stature and impact of a film. There's already a frame of reference people have which establishes a rapport."

The contrast between the financial speculator - King in the advertisement - and Hanson's interests in bricks, coal and timber, is intended to underline the conglomerate's solidity and its enduring interest in the companies it acquires, says Cooper.

Hanson's corporate spokesman puts it more succinctly: "This is an advertisement that is likely to attract attention, rather than be passed over by people who see an awful lot of advertising. And it's entertaining, too."

Diane Summers

Japan strikes a chord with Asian teenagers

South-east Asia is lacking homegrown talent, but Japan is ready to entertain, says **Emiko Terazono**

For years Japan's entertainment industry has been trying to reach out to a western audience, sending its starlets on a mission to perform in Las Vegas and Hollywood. But such efforts have been big flops.

Now, however, the industry has discovered Asia. Along with the country's manufacturers, Japanese record companies, television networks and artist management groups are turning to the rapidly growing Asian market.

Masahisa Aizawa, vice-president of Sun Music, a Japanese production agency, says the entertainment industry in Asia has not caught up with the rapid economic growth and the deluge of electronic hardware. "Asia's entertainment industry is behind Japan by about 15 years," he says.

Sun Music was surprised at the popularity of Noriko Sakai, one of its Japanese pop idols, among Taiwanese teenagers. Sakai recently became top pin-up star in Taiwan, prompting the agency to work with a Taiwanese television network to produce a drama starring the idol.

Until recently, Japan has been excessively cautious about exporting entertainment software to Asia. Many of the older people in south-east Asian countries still remember being forced to learn Japanese by the Japanese army in the second world war, and South Korea still bans Japanese songs and literature from its stores.

Younger Asians, however, crave news out of Tokyo. "Tokyo is for Asia what New York was for Japan 20 years ago," says Eisuke Saito, managing director of Amuse, another production agency, which organised concerts by Japanese artists in Beijing last year.

Such is the demand that video tapes of Japanese television programmes are sold in Taiwan video shops, Japanese soap operas are aired in Singapore and Japanese songs sung on karaoke machines.

Harry Kaneko of Pony Canyon, a Japanese record company, believes that the $1bn (£600m) record market in Asia will grow threefold in the next seven years. In contrast, marked growth in Japan's $4bn record market is unlikely.

Japanese entertainment-related companies are keen to cash in on such demand, and stress that there is little room for western corporations. "Japan is closer than the US or Europe, and besides, similar physique of the Japanese people brings us closer to Asia than Caucasians," says Aizawa. He also claims the rhythm and melody lines of songs in south-east Asia are basically the same.

Aside from bringing Japanese talent to Asia, the Japanese are eager to capture the Chinese-speaking market including Taiwan, Hong Kong, Singapore, Malaysia and Thailand, by offering Chinese artists. Saito reckons the global Chinese-speaking population totals some 1.6bn.

Many in the industry point out that Hong Kong and Taiwan are important strategic areas for subsidiaries to distribute software throughout south-east Asia. Pony Canyon is building a network in Asia to search for potential Asian pop and rock stars.

Japanese production agencies are searching for talent in China to sell to the Chinese communities. Production agency HoriPro, teamed with a Hong Kong agency, recently organised a nationwide amateur talent search contest in China. Events organised by local television stations were held in 19 regional cities. The semifinals and finals were held in Beijing, and broadcast live to other parts of Asia through Hong Kong's satellite Star TV.

Kazutaka Hori, vice-president of HoriPro, explains that the project was also backed by the Chinese authorities, since "China never really had its own stars and artists. They all came from Hong Kong and Taiwan".

Amuse has also arranged a contest, with the finals to be held this month. "We want to train and bring up people with talent for the Asian market," says Saito.

Exporting Japanese software and know-how in the entertainment business has struck a chord with the Japanese hardware makers. Matsushita Electric Industrial is using Sakai of Sun Music to sell its electronic products in China and south-east Asia, while other consumer electronics companies are lining up to become sponsors of the China talent search contests.

A concern in the Japanese entertainment market is the absence of copyright protection in the region. Although China is trying to improve its enforcement of copyright law, more than 800 companies produce pirate cassette tapes. Others, such as some Taiwanese companies, have been blamed for distorting the legitimate market.

Japanese companies, however, see the advantage of establishing themselves in the region before this problem is solved. "Once proper laws on copyright are laid out, there will be profits that did not exist before," says Hori.

هكذا من الآمل

"Would you tell me, please, which way I ought to go from here?" she asked.
"That depends a good deal on where you want to get to," said the cat.

Lewis Carroll,
"Alice's Adventures in Wonderland"

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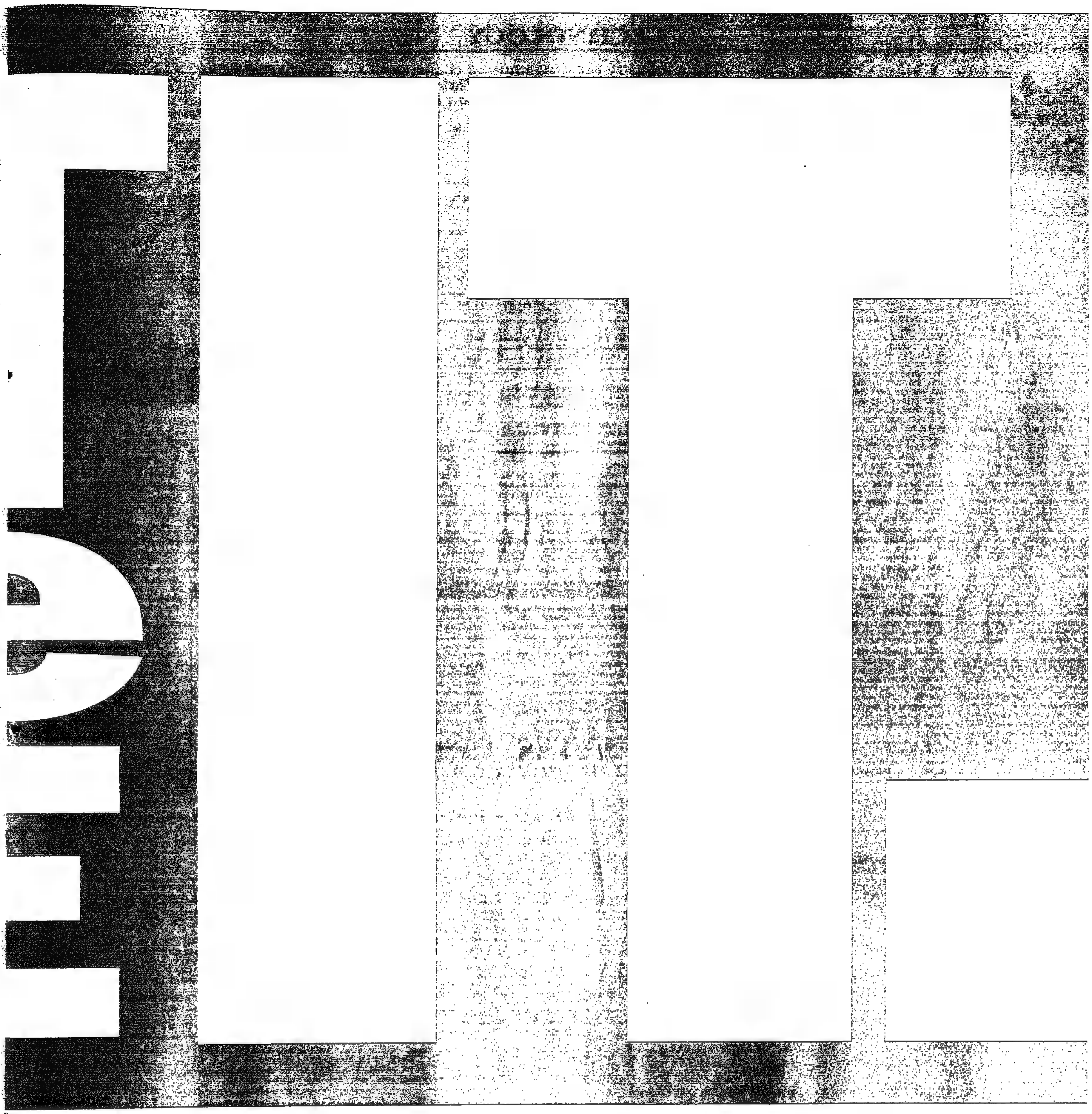

Unless you know what to do with it, information isn't knowledge. Or insight. Or the road to profit. It's simply a collection of data.

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TECHNOLOGY

The printing industry presents unusual challenges to computerised manufacturing systems. **Claire Gooding** continues a series on getting the most out of software

Biography of a book

HarperCollins*Publishers*

COMPANY SNAPSHOT

Nature of business: HarperCollins is one of the largest English-language publishers in the world, formed in 1989 when William Collins and Harper and Row amalgamated under News Corporation. HarperCollins Manufacturing produces 67m books annually, 14m hardback books and 53m paperbacks. It occupies part of a 108-acre site north of Glasgow in Scotland.

Turnover: £30m.

Employees: 480, of whom 450 are users of the Mac-Pac computer system.

Key personnel: Eddie Bell, chairman and chief executive; John Fitzpatrick, managing director; Owen Mitchell, business development director; David Thomson, systems manager.

TECHNOLOGY FILE

Software: Mac-Pac is a modular system for manufacturing, written in RPG400 (an AS400 specific language), well suited to high-volume short runs. HarperCollins is using 15 modules of Mac-Pac Release 7.1, dealing with all functions from quotes through to shipment. There are 1,000 Mac-Pac users worldwide, 50 in the UK. HarperCollins uses the Expert Configurator more extensively than the other three UK users, which include manufacturers of marine pumps and injection moulds.

Hardware: IBM AS400 Model F50, running OS400 Version 2.2, with 23 Gigabyte discs (11.5GBytes mirrored). The system supports 105 VDUs, 22 PCs and 18 printers, with six remote laptops for home dial-up. The structured cabling system provides 15 miles of fibre-optic cables carrying 100Mbits per second. All terminals can connect to all company hardware, to a maximum of 720 terminals.

Supplier: Mac-Pac was developed and supplied by Andersen Consulting, which provided three consultants to help in the configuration and development of the expert system.

Cost: £2m, including the software, hardware and consulting fees. Training and full-time involvement of in-house employees working with the Andersen consultants added an estimated £1m internal costs.

Pick up a copy of Jung Chang's bestselling novel *Wild Swans* and the last thing you are likely to consider is the effort that went into printing it. But books, like motor accessories and widgets, have to be manufactured, and they present unusual challenges to computerised manufacturing systems.

Left-over pages from one book *cannot be used elsewhere*: each book comprises components that are [illegible] in any other product. Prints are likely to be repeated, possibly in short runs, for which machines must be geared up.

HarperCollins Manufacturing produces books from raw material to finished product, using various grades of paper. Owen Mitchell, HarperCollins's business development director, considers book-printing a manufacturing process much like any other, equally subject to current thinking on just-in-time methods and low inventories.

On the shelf in Mitchell's office stand fat, glossy-covered hardbacks including *Wild Swans* and the memoirs of Lady Thatcher and Sir David Frost, reminders of the end-product of his *[illegible] factory*. "Our customers are the publishers, not the public. We make reprints or new titles to order for HarperCollins, our main customer, but also for [illegible] and Simon & Schuster [outside the UK market], among others," Mitchell says.

A full remainder basket is bad news for author and publisher alike, and producing to demand ("make to order") introduces a delicate balancing act between [illegible]. Getting it wrong means keeping the customer waiting, perhaps losing sales as interest in a book fades, while machines and staff work overtime, only to be idle the next day.

To avoid this, HarperCollins now runs a computer integrated manufacturing (Cim) system called Mac-Pac, which includes a complex "expert system" that helps make decisions about scheduling.

"This division operates as a high-volume, make-to-order environment. One of the business reasons for moving in the Cim direction was the pressure for just-in-time manufacturing, small batches, and short lead times," says Mitchell.

In the early 1980s, most packaged software solutions were for make-to-stock and assemble-to-order processes – which are inappropriate for books. Other solutions came from low-volume "make-to-order" suppliers. "Getting behind this distinction was important, because every book is make-to-order, but we deal with more than [illegible] titles every week."

On average, the factory copes with [illegible] component orders a week (about 10 per book). Components in a book include the bundles of

SOFTWARE AT WORK

printed pages (signatures – see Buzzwords), illustrations, covers, dustjacket, and perhaps also a ribbon-marker for diaries and bibles.

The paper for the paperbacks is stored four hours away. "We work as a manufacturing business, so in manufacturing terms, a routine diary is just as important as Sir David Frost's autobiography," comments Mitchell.

The new system has developed gradually. Outside consultants have contributed, but it largely evolved from a painful process of self-examination that started in 1989.

"We challenged and changed the way we do business as part of the preparation for automation. The first question was whether we were ready for change, and the answer was no. We faced the fact that customers were not well served by the buffer stocks which were exposed. Inventories were no longer assets, but earned a black mark," recalls Mitchell.

"Our experience in the past has been with batch computer systems, updated overnight and accessed for inquiries. What we have now is a system in which participants dictate the programme. Their actions make a difference. There are very few people who don't have a terminal – and some use out of all employees," he adds.

"One of the first things to go was the shop-floor bonus which encouraged over-production of components unique to one order.

"We used Computer Integrated Systems – our version of Cim – as a catalyst for change. From day one, I was concerned to get the message across that there would be many people problems than technology constraints," Mitchell says.

"IBM's industrial design team gave us a vision and experience beyond our own, and helped us develop a strategy that has held good to this day – develop people, simplify processes, then automate."

Initial inquiries involved 32 vendors, and a 70-page proposal synopsis was sent out to a shortlist of eight.

Andersen Consulting's Mac-Pac software was fully integrated in its design, and was closest to fitting the HarperCollins "no modifications" policy. Another attraction was the Expert Configurator, an "intelligent" module that works like many expert systems, in defining the rules which govern a process. A trip to the US to see Expert Configurator in action (there were no UK users at the time) confirmed the choice.

Mac-Pac follows the business flow from start to finish. It can treat every order and every bill as an individual product. Each book is planned and tracked through every process. Every component – printing plate, signature, cover – is tied to its bed and traceable through Mac-Pac.

"Setting the rules in an interactive 'conversational' process to create the code. The two years it took to evolve was a combination of analysis, simplification, and representation of what we do. The one individual has the command of detail of the entire process. We did not pick the brains of the existing mainframe system, we did it from scratch," adds David Thomson, manufacturing systems manager.

The process of preparation and training was also an eye-opener. "We had shop-floor personnel training [illegible] managing director – people found [illegible] they never knew they had," says Mitchell.

In November 1991, HarperCollins announced 215 redundancies in manufacturing which took effect [illegible] implementation. The first Mac-Pac product off the presses was a high-profile title, Jeffrey Archer's *Honour Among Thieves* in May 1993. "All this put a strain on the organisation. We found that even 120 days of training was not nearly enough," says Mitchell.

The Andersen consultants insisted that HarperCollins should develop its own rules and procedures, which was time consuming but worthwhile.

Users are enthusiastic. One claims to have learned as much in training as he had in 20 years in the business. According to Irene Thomson, customer services manager for paperbacks, previous manual systems were difficult to control. "Now we are more reactive, and customer satisfaction has improved."

Fred Buchanan, the paperback planner, had previously worked with a small PC. "We did not know if we could fulfil to order or not, now we can say yes and mean it." Steve Melvin is a lead operator on one of the print machines, which has produced 25,000 copies of *Wild Swans* every week for the last three months.

"The lead time for a paperback used to be four or five weeks. Now it is 10 days or less," he says.

Owen Mitchell, HarperCollins business development director (right), and Steve Melvin

■ BUZZWORDS

EXPERT SYSTEM takes the principles of programming (*if this situation then take this action . . .*) into the realm of rule-based decision making. Rules determining a course of action or diagnosis are built in to the software in an interactive, *question-and-answer form*.

SIGNATURE refers to each "bundle" of printed, paginated and bound into a book. Sir David Frost's autobiography, for example, is a big hardback with 18 signatures, 17 of 32 pages each and one of 16 pages of illustrations.

CONSULTANT'S CRITIQUE

Although a book is a manufactured item with many sub-components, not one of them is re-usable. Most manufacturing control software is written for more traditional operations and a major [illegible] for HarperCollins was to find a package that fitted its needs. Having selected the package with the most flexibility, David Thomson, HarperCollins' systems manager, says it has pushed Mac-Pac to its limits.

The most interesting aspect of the new system has been the attention given to people. Owen Mitchell, business development director, spent considerable effort in getting his staff to see the computer system as a means to more efficient operation rather than as an end in itself.

Classical change-management theory talks of a three-stage process: "unfreezing" attitudes; the change itself; and "re-freezing" new behaviour patterns. Mitchell ensured that the unfreezing period minimised the feelings of unease that precede change. The change itself was carefully managed and quickly carried out. The re-freezing has been so complete that Agnes O'Brien, inventory planner, claimed that most people now could not even remember how to key in to the old system.

One cost is the use of internal resources. Mitchell estimates that the £2m spent on the system has been matched by £1m of staff time. The returns seem to imply that it has been worthwhile. Inventory has dropped from £4.1m to £3.4m and lead times have halved. On-time delivery for paperbacks has increased from 50 per cent to 97 per cent. A quotation now takes about two days when it used to take two weeks.

Andersen Consulting seems to have been a helpful partner in the process. It has insisted that HarperCollins write its own procedures. This has a twofold effect: first, it makes HarperCollins "own" the result; and second, it reduces dependency on external consultancy.

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes

PEOPLE

Storehouse selects Steele and Sorrell

After getting through three finance directors since 1992, Storehouse will be hoping that its latest recruit to the position, Dick Steele, 38, right, currently FD of Lloyds Chemists, may stay the course.

In addition to filling the FD's position which has been vacant since the unexpected departure of Graham Rider last October, Steele's appointment from April will give Storehouse a full board of four executives and four non-executives for the first time for more than a year.

Bringing its management back to full strength has been one of the priorities of chief executive Keith Edelman since he was appointed to the group last summer.

Steele was appointed after an extensive search and had no previous links with Storehouse, but the group says it is sure that it now has the right man.

"Clearly he has the qualities we are looking for," says Storehouse. "He has first-class accounting skills and very strong retailing experience."

Steele has a degree in economics and accountancy from Liverpool University and qualified as an accountant with KPMG Peat Marwick. He joined fashion retailer Next in 1985 and held a number of senior financial positions before moving to Midsummer Leisure as group finance director in 1987. He became FD of Lloyds Chemists in 1989.

Martin Sorrell, 48, chief executive of the marketing services group WPP, is also joining the company, as a non-executive director, the first such post he has notched up. Yesterday he said he did not wish to comment on his reasons for making the move into previously uncharted waters.

Allan moves to Kent Tec

Kent Training and Enterprise Council has appointed a new chief executive, Malcolm Allan, who will spearhead the Tec's enlarging role in the economic development of Kent.

Allan, aged 44, has been chief executive of Sussex Tec for the past three years. He succeeds John Forsdyke, who relinquishes his post at Easter.

More than 100 applications were made for the post. The job is an expanded one, as it is planned that the new chief executive will be at the helm of a new organisation made up of the Tec and Kent County Council's economic development unit.

Agreement in principle has been reached on the merger of the county's unit with the Tec, although detailed negotiations are still proceeding.

The intention is to rationalise and develop services to business in Kent, Britain's front door into the European Union, under the Tec's leadership.

The merger could provide a model for other Tecs, all of which are seeking to bring greater coherence to the delivery of economic development within their localities.

■ Rupert Nabarro, 48, joins the board of the Black Country Development Corporation. He is managing director of London-based Investment Property Databank and a director of Applied Property research.

Bantz shifts to NatWest

Bruce Bantz has been appointed head of global [illegible] at NatWest Capital Markets, a new post set up to reflect a stronger focus on its securitisation business.

Bantz, previously vice president, treasury funding, at Citibank's credit card securitisation arm, will be based in London and will report to Garry Southern, managing director of NatWest Capital Markets.

Europe's nascent market in asset-backed and mortgage-backed securities is dwarfed by the US market, and has so far failed to take off.

Southern says he expects no explosive growth but predicts the market will move up a gear or so over the next few years.

NatWest has been involved in several sterling mortgage-backed deals, and has set up a vehicle called Thames Funding, which acts as a conduit for corporate asset-backed commercial paper.

While sterling will remain a priority, NatWest plans to expand into other European markets.

■ Graham Baxter has been promoted from deputy to director of acquisition finance at NatWest Markets, succeeding Malcolm Cameron who has been promoted to regional executive director at NatWest's Thames Valley Region.

Inchcape, the international marketing and services group, is losing one well-connected non-executive director and picking up another. Jurgen Hintz, 51, chief executive of CarnaudMetalbox, the Anglo-French packaging group, is replacing Jean-Paul Parayre, 56, a supervisory board member of Peugeot, who is retiring from the Inchcape board in May in order to devote more time to his increasing business commitments in France.

Inchcape has always prided itself on its international connections; Hintz seems to fit the bill nicely. A US citizen born in Germany, he has worked and lived in the UK, Germany, and France as well as the US where he was an executive vice president of Procter & Gamble.

Jeff Edington, whose appointment in 1992 as British Steel's technology supremo was welcomed by industry observers, has been appointed as executive director at the UK steelmaker.

Edington joined British Steel as managing director, technology, after 10 years at Alcan Aluminium in Montreal, and has a mission to reduce the distance between use of steel and that of faster-growing aluminium.

David Grieves, an executive director and vice-chairman of British Steel, will retire from the board in July after 37 years in the UK steel industry.

Grieves is chairman of Avesta Sheffield, the Anglo-Swedish stainless steel producer formed in 1992.

Non-executive directors

■ [illegible] Barber resigned from COSTAIN.

■ [illegible] Taylor, director of TI Group, at EUROTHERM.

■ Jonathan Stewart resigned from SELECT INDUSTRIES.

■ John Leek, chairman of Lilleshall, at LINREAD.

■ George Howard, director of BBA Group, at subsidiary AUTOMOTIVE PRODUCTS on the retirement of John White.

■ Brian Slade has resigned from [illegible] GROUP.

■ Mark Smith, a former vice-chairman of SG Warburg, at RENOLD.

■ Keith Hodge, retired corporate director of the south Wales region of Barclays Bank, at HAWTIN.

■ John Dayton, formerly deputy chairman of Abbey National, at RICHMOUNT MANAGEMENT.

■ Tom Drake, chairman of Drakes International, at FILOFAX.

■ Mark Wilson as chairman at AYRSHIRE METAL PRODUCTS on the resignation of James Boyd.

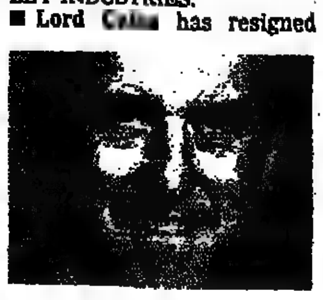
■ Peter Shirley, former partner of Herbert Smith, at FII GROUP.

■ Peter Oswald, former deputy chairman of Savills, as deputy chairman at FLETCHER KING.

■ Andrew Davison, director of County NatWest Ventures, as chairman of AYNSLEY GROUP on the retirement of Geoffrey Deith.

■ Harry Tuley, below, chairman of Scapa group, as director and chairman of STAVELEY INDUSTRIES.

■ Lord Catto has resigned



from OVERSEAS INVESTMENT TRUST.

■ James Laurenson, formerly chief executive of Adam & Company, at NSM; Sir Charles Fraser retired as chairman and is succeeded by executive chairman, John Jermine, previously group chief executive.

■ Mark Keegan resigned from PREMIER LAND.

■ Peter Berry, md of The Crown Agents, at TR PACIFIC INVESTMENT TRUST.

■ Paola Tosato at WEST MERCHANT BANK.

هكذا عن الأعمال

Cinema/Nigel Andrews

Love that dares not speak its name

THE AGE OF INNOCENCE (U)
Martin Scorsese

MRS DOUBTFIRE (12)
Christopher Columbus

DECADENCE (18)
Steven Berkoff

In Martin Scorsese's [redacted] *Age Of Innocence* the director's [redacted] for full-steam-ahead [redacted] – see *Taxi Driver, Raging Bull, Goodfellas* – collides with novelist Edith Wharton's icy prose: that 1920s irony looking [redacted] on [redacted] etiquette. The [redacted] something like [redacted] alarm-bells sounding on the Titanic. The viewer's imagination pushes [redacted] possibilities [redacted] the SS [redacted] on the ice and – more remarkably – it seems to be *enjoying* its state [redacted] suddenly ordained stasis.

[redacted] audience [redacted] will [redacted] characters into Scor-[redacted] casting (mainly British) and the film's ornately deliberate style [redacted] Ivory [redacted] Luchino Visconti) [redacted] us [redacted] stop or [redacted]

[redacted] takes half an hour, by my watch, [redacted] adjust the [redacted] metabolism. By then such magic [redacted] boasts – [redacted] lot, allowing for some [redacted] fail – [redacted] working. [redacted] realise that the tension between energy and stillness is the essence of both the film and Wharton's tale. Here is Mr Newland Archer (Day-Lewis), [redacted] demure [redacted] lovely May Welland (Winona Ryder), [redacted] by the [redacted] ringlets and wide-lipped [redacted] Cat allure [redacted] Ellen Olenska, [redacted] Countess with a [redacted] (Michelle Pfeiffer). This woman [redacted] come [redacted] from Europe, vaguely bent on divorcing the Polish husband [redacted] never [redacted] and spins [redacted] amorous web all around our hero. Will [redacted] family stand for it? Will society impose pariahdom? Or will decency and dynastic imperative turn Day-Lewis [redacted] dull virtue?

Edith Wharton's world [redacted] snobbery [redacted] puritanism dined [redacted] the same [redacted] While the writer's gelidly ironic [redacted] is [redacted] by Joanne Woodward's novel-quoting voice-over (each [redacted] shaped to perfection), her equally icy supporting characters, played by a rich [redacted] Brits including Alec McCowen, Richard E. Grant and Michael Gough, are [redacted] round the meal-board or hearth, recounting [redacted] and [redacted]

[redacted] collaborates [redacted] co-scenarist Jay Cocks in bleeding the dialogue [redacted] spon-[redacted] drama; then he injects that drama straight [redacted] – [redacted] subtly – into [redacted] images, [redacted] in people's [redacted] or gestures. But look [redacted] painted [redacted] just behind Pfeiffer depicting [redacted] pelican biting her own [redacted] or the picture at [redacted] top [redacted] of [redacted] Indian scalping. [redacted] ary bursts of feeling in the [redacted] revelation [redacted] tation. But look [redacted] fire-bomb impact [redacted] builds into close-ups [redacted] cigars being lit! This [redacted] "displacement" transmuted into cine-[redacted] symbolism.

And transposed feeling is apt. For [redacted] romance [redacted] story's [redacted] is [redacted] happens. [redacted] trysts with Ellen [redacted] through the [redacted] months, the [redacted] alternately cracking with [redacted] slow-thawing [redacted] of their [redacted] and then re-freezing under [redacted] influence [redacted] protocol [redacted] prohibition.

It is in the "love" [redacted] though, such [redacted] they [redacted] that the film [redacted] askew. Day-Lewis's wry, delicately [redacted] perfect for [redacted] – this man [redacted] repression [redacted] an [redacted] form – but [redacted] Ellen is a disappointment. [redacted] comes across [redacted] rent-a-minx who has been to [redacted] lessons. The breathy precision [redacted] her [redacted] reminds [redacted] in pretentious mode; the actressy coquetry [redacted] her fan play and [redacted] The [redacted] movie's heart. There [redacted] chemistry – [redacted] alone any credible [redacted] biology – in [redacted] ill-mated pair.

Scorsese has bled Wharton's dialogue of spontaneous drama – but then injects it straight back into the images

[redacted] the story about [redacted] love that [redacted] not speak its [redacted] comes [redacted] lov-[redacted] off the [redacted] when Scorsese's camera [redacted] or soars across banquet-tables or [redacted] houses, seeking [redacted] personal intimacy [redacted] majestic [redacted] of its absence; [redacted] when Day-Lewis's haunted, handsomely hollow-[redacted] face, [redacted] re-lives [redacted] and [redacted]

★

If [redacted] film [redacted] tragedy of what-you-never-had-you-always-miss, [redacted] *Doubtfire* [redacted] comedy of once-you've-had-it-you'd-better-hold-on-to-it. At last, in [redacted] film, [redacted] the much-discussed single mothers problem. Dress estranged Father (Robin [redacted] liams) in [redacted] garb; pad [redacted] it [redacted] two [redacted] trapped [redacted] duvet; give him [redacted] high-pitched [redacted] burr – somewhere between [redacted] Brodie [redacted] Lord [redacted] – [redacted] smuggle [redacted] his (ex)wife's [redacted] nanny the children.

There he will pass undiscov-[redacted] day when Sonny [redacted] the [redacted] – but enough! Surprises are [redacted] so plentiful in this comedy, [redacted] until it reaches [redacted] magnificent [redacted] (quick-changing compounding cross-dressing), that we [redacted] squander [redacted] here. [redacted] of [redacted] early stuff consists of Robin [redacted] doing his super-schmaltz act: stumbling wet-eyed in the [redacted] Sally [redacted] (departing wife) [redacted] looking like [redacted] Pagliaccio without his script or make-up.

But [redacted] we [redacted] into [redacted] *giubba* – on with the nanny drag – the magic and merriment steal in. Christopher (*Home Alone*) Columbus directed; [redacted] Mayem Singer and Leslie Dixon co-screen-wrote, [redacted] novel by [redacted] Fine. [redacted] when funny [redacted] from fey [redacted] director nor writer(s). [redacted] Hurricane Shtick: omnipotent whether turning [redacted] employer's cooking quarters [redacted] literal [redacted] kitchen, or fending [redacted] lascivious bus driver, [redacted] improvising polite insults [redacted] boyfriend (Pierce Brosnan). "Your accent's [redacted] smoothie with the [redacted] shirt. "Really?" replies [redacted] Doubtfire, "so's your tan."

Hurricane Shtick has another great [redacted] blowing, [redacted] of [redacted] sentimentality [redacted] to matchwood. In one scene our hero, [redacted] between nanny [redacted] a fetch-and-carry job in a TV [redacted] dio, wanders [redacted] an empty soundstage and starts [redacted] improvise with a pair of dinosaur puppets. At this point I screamed inwardly. I thought the ghost of Jerry Lewis had arrived. But whimsy turns to wit, and then becomes for the cue for the [redacted] cracking [redacted] eatery.

This [redacted] will [redacted] laugh till [redacted] cry. [redacted] or [redacted] have [redacted] pantomimic drag [redacted] – Hinges [redacted] Brackets [redacted] Danny La Rues – and had your taste corrupted. For the wonderful thing [redacted] Doubtfire is [redacted] (she? it?) [redacted] real. [redacted] stockings are inadvertently slipping to the ankles, or the false teeth are falling into the aperitif, or the wig is turning round to face Mecca, the lady's sweet, purring, buxom feminity continues. In a bad comedy Mrs Doubtfire would be the nanny of our nightmares. Here she is the nanny of our dreams.

★

Mrs Doubtfire would have her work cut out cleaning up after Steven Berkoff's *Decadence*. In one scene the actor-director throws up all over the camera lens: that is, over us the audience. We/the camera are situ-[redacted] lavatory bowl (*sic*), though for the few seconds before Mr Berkoff lets fly [redacted] seems [redacted] nicest, safest, comfiest place [redacted] whole [redacted]

For the rest of the excruciating 108 minutes we are stuck in no-man's-land. God save us from filmed plays in which the writer-star-director has no idea how to come at his material in [redacted] down [redacted] disregarded [redacted] in a [redacted] uncrowded [redacted] – luxury apartment, [redacted] pad, [redacted] – [redacted] watch [redacted] and Joan [redacted] spout [redacted] blank [redacted] they quick-change between their [redacted] equally [redacted] pairs [redacted] characters.

[redacted] they [redacted] high-rolling toffs who play kinky [redacted] and [redacted] champagne and caviare. Now they [redacted] low-lifers who vary gormless leg-over sessions [redacted] lower [redacted] not know [redacted] enjoy sex) [redacted] murder and petty [redacted] It [redacted] all have [redacted] on stage but here [redacted] plays like [redacted] Ben Jonson comedy modernised by a madman [redacted] logorrhea.

Ill-mated pair: Michelle Pfeiffer and Daniel Day-Lewis in 'The Age [redacted] Innocence'

Alexander Muir

Sally Knyvette and Annabelle Apsion in Mike Alfred's splendid adaptation of Waugh's book

Theatre/Andrew St George

A pared-down Handful of Dust

It started in Brazil. Evelyn Waugh (1903-1966), travelling [redacted] America in [redacted] a disastrous marriage, met [redacted] religious mystic bent on reading [redacted] The resulting short story and the [redacted] *A Handful of* [redacted] been [redacted] warning [redacted] explorers and [redacted] ans ever [redacted] Cambridge Theatre Company [redacted] staged Waugh's [redacted] at [redacted] Palace Theatre, Watford: it [redacted] super [redacted] tre.

A Handful of Dust, [redacted] T.S. Eliot, tells of the creaky marriage between Tony and Brenda Last, who in the [redacted] are much [redacted] middle [redacted] than they [redacted] sound. Brenda falls in love with a younger man, John Beaver, [redacted] same moment [redacted] the Last's eldest son dies in a hunting accident. Grief and alimony drive Tony to search for Indian gold in South [redacted] but [redacted] expedition, [redacted] by Dr [redacted] senger, comes to a sticky end and Tony finds himself a prisoner reading [redacted] to the illiterate local potentate.

The [redacted] Mike [redacted] opts [redacted] anti-Brideshead approach. The [redacted] do without [redacted] props for this pared-down touring production. The scenes are short, like movie cuts, and [redacted] with a [redacted] frame. The lighting is bright [redacted] and the backdrop and [redacted] pearl grey.

[redacted] adaptation [redacted] excellent. He parcels out [redacted] so [redacted] Waugh's [redacted] among the actors, who intro-[redacted] or [redacted] scene and then speak the lines. The ensemble scenes – restaurants, parties and hunts – work well, and the actors retire [redacted] chairs facing the stage. Alfreds' other company, Shared Experience, used the [redacted] technique [redacted] tackle *Anna Karenina*, [redacted] it [redacted] on longer [redacted] as well.

Waugh's [redacted] survive, and make dramatic [redacted] as her [redacted] gathers [redacted] comments [redacted] audience: "Their interest in [redacted] other [redacted] far outdistanced their knowledge that there was [redacted] great deal [redacted] say." [redacted] cameos also live on: [redacted] shocking American Blonde, [redacted] doddering clergyman Mr Tendril and in the background the humble and uncomplaining victims of primogeniture.

The principals keep [redacted] action bowling along, although [redacted] long first half and short second is a problem inherited straight from the novel. Lady [redacted] (Annabelle Apsion) [redacted] less worldly than in Waugh [redacted] Lord Tony (Tim Dutton) more sympathetic; [redacted] are sharp and subtle. [redacted] there are fine performances from Jason Watkins (the Lasts' boy and Dr Messenger), Laurence Kennedy (family friend and general [redacted]) and Sophie Heydel (Brenda's socialite sister, Marjorie).

In all, [redacted] characters are less extreme than [redacted] Waugh's book, but [redacted] easily caricatured. Perhaps [redacted] felt turning 30 [redacted] his attitude: "for the [redacted] I am trying [redacted] with normal people instead of eccentrics; comic English character parts are too [redacted] one gets to be thirty." Noel Coward begs to dif-[redacted]

[redacted] Theatre, Watford [redacted] until February [redacted]

Old attitudes challenged by young playwrights

Malcolm Rutherford is impressed with 'The Body Politic' at the Cockpit Theatre

A little-noticed change [redacted] come over the British thea-[redacted] plays [redacted] no lon-[redacted] noticeably left-wing. While one hesitates to [redacted] that [redacted] has been a shift to the right, [redacted] playwrights are becoming [redacted] more [redacted] They [redacted] also looking for new subjects.

Mike Cullen's *The Cut*, a play about British miners which [redacted] reviewed in Monday's FT, is [redacted] case in point. The author did not [redacted] sides: he simply [redacted] a very good piece [redacted] how [redacted] coal industry [redacted] underground.

There are half [redacted] examples [redacted] the Cockpit where the Soho Theatre Company is presenting [redacted] minute extracts [redacted] potential full-length plays by young writers under the umbrella [redacted] *Body Politic*.

[redacted] body is more relevant than the politics. [redacted] science, and [redacted] questions [redacted] by its advances, are one of [redacted] big subjects of [redacted] future. Why not explore [redacted] of [redacted] implications on stage? [redacted] exactly what the Soho Com-[redacted] attempts. [redacted] *Body* [redacted] funny; some [redacted] sad.

Quite [redacted] brilliant piece in the compendium [redacted] cloning. Indeed, *On* [redacted] by Paul [redacted] the [redacted] revue sketches I have seen in a Lon-[redacted] since [redacted] Jonathan [redacted] performing in *Beyond the Fringe*. Here is a genetic engineer [redacted] in [redacted] of [redacted] friend like himself that he places an ad. in the lonely [redacted] column [redacted] *Scientific American*. He [redacted] clone: they have their magic moments in [redacted] dance, squash, scrabble [redacted] chess, but [redacted] and [redacted] do not always [redacted] on [redacted] ever.

It would [redacted] a genius to extend [redacted] *Strand* into [redacted] viable full-length play; as a sketch it is the tops. Darren Tunstall [redacted] the premier genetic engineer has [redacted] marvellous [redacted] communicating directly with [redacted] audience.

The saddest, though no [redacted] estimable, [redacted] by Sara Clifford. The national health service [redacted] plainly [redacted] in adverse economic circum-[redacted] An old couple have [redacted] pair of spectacles and one set of [redacted] between them. They [redacted] every hour [redacted] them can [redacted] *Daily Express* [redacted] other eats.

"Which [redacted] you prefer, [redacted] the glasses?" Neither [redacted] quite sure, but [redacted] a bitter dispute. They even dance together quite happily. Still, [redacted] is menace out-[redacted] knocking [redacted] door – the [redacted] perhaps? The knocking sub-[redacted] The triumph of the piece, [redacted] formed by Hilary [redacted] and John Crocker, is [redacted] it is played absolutely straight without [redacted] political or social harassment.

The other outstanding contribution is *Skin* by Neil Biswas, who left university only a year [redacted] ago and must be [redacted] writer [redacted] watch. *Skin* is about [redacted] Bengali family in [redacted] English Midlands considering a return to Calcutta on retirement: the daughter (Nina Wadia) has become Europeanised. It is both moving and comic and the only part part of the programme that can be easily envisaged [redacted] a full-length play. I look forward [redacted] seeing it.

Meanwhile, [redacted] formula of a collection of short pieces [redacted] very effective. Most [redacted] them stand in their own right [redacted] present length. The influence of television is strong: they [redacted] down equally well on the small [redacted] The advantage of the theatre is [redacted] they can be done together. [redacted] *Body Politic* should [redacted] seen as a new kind [redacted] stage review, and cop-[redacted] Alex Perrin [redacted] in [redacted] place [redacted] has become one of the liveliest theatres in London.

Cockpit Theatre, London [redacted] (071) 402 5081

INTERNATIONAL
ARTS GUIDE

ATHENS

[redacted] Tonight: poetry [redacted] music from [redacted] Tomorrow: [redacted] guitar [redacted] van Dam. Sun, Mon: La [redacted] plays [redacted] by Holst, [redacted] Schoenberg. Next Tues, Wed: Hagen [redacted] Feb 5, [redacted] (01-728 2333/01-722 5511)

BARCELONA

[redacted] Teatre [redacted] Liceu [redacted] next Tues [redacted] Fri: [redacted] Götz [redacted] production [redacted] Maler, [redacted] including [redacted] Dohmen, Jan Blinkhof, [redacted] Armstrong and Cynthia Clarey. [redacted] Kuhlmann song [redacted] Thurs: [redacted] (tel 412 3532 [redacted] 412 1198)
[redacted] through [redacted] Catalunya from 08.00 to 14.00 (310 1212)

BOLOGNA

Teatro Communale [redacted] Hagen Quartet. [redacted] (Palazzo [redacted] Congressi): Les [redacted] Monte Carlo. Feb 5: first night [redacted] Jonathan [redacted] production [redacted] Maria Stuarda, with [redacted] Esperian in [redacted] Ente [redacted] Bologna, Largo Respighi 1, 40126 Bologna. [redacted] telephone bookings accepted. For information, [redacted] 051-529999)

FLORENCE

Teatro [redacted] Tonight, [redacted] Il [redacted] di Siviglia, with [redacted] Corbelli, [redacted] and Luca Canonici. Feb [redacted] first [redacted] performances [redacted] Il [redacted] di Siviglia (055-277 9236)

GENOA

[redacted] Tonight, tomorrow, Sun: final performances [redacted] Nabucco, [redacted] Nucci. The [redacted] production is [redacted] d'amore, opening Feb 11 (010-589329)

LONDON

THEATRE
■ The Skriker: Caryl Churchill's new play [redacted] tonight in [redacted] Cottesloe, [redacted] by [redacted] by Judith Weir, movement by Ian Spink (National 071-928 [redacted])
■ September Tide: [redacted] End showing [redacted] 45 years of Daphne du [redacted] drama of inappropriate passion, in [redacted] King's Head production with Susannah [redacted] the [redacted] woman in [redacted] with her son-in-law (Comedy [redacted] 1045)
■ An [redacted] Turkey: Felicity [redacted] plays a [redacted] wide and Griff Rhys [redacted] a frantic bachelor [redacted] Hall's enjoyable production of Feydeau's Le Dindon (Globe 071-494 [redacted])
● [redacted] Jonathan [redacted] magnificent Diana [redacted] in Euripides' tragedy [redacted] a woman's [redacted] (Wyndham's 071-867 1116)
● [redacted] Inspector [redacted] Stephen Daldry's award-winning production of J.B. Priestley's [redacted] thriller (Aldwych [redacted] 6404)
● Piaf: Elaine Paige in powerful voice in Pam Gems' musical play [redacted] sparrow (Piccadilly 071-867 1118)

OPERA/DANCE
[redacted] The Royal [redacted] Kenneth [redacted] Mayerling tomorrow, [redacted] Tues, Thurs [redacted] The Royal Opera has revivals [redacted] Carmen [redacted] Denyce [redacted] (tonight, [redacted] Wed), and Elektra [redacted] Eva Marton, Marjana Lipovsek [redacted] Secunde (till Feb 17). Opera [redacted] presents [redacted] acclaimed production [redacted] Britten's [redacted] Feb 7 [redacted] 10, [redacted] Josephine [redacted] I. [redacted] new production of [redacted] Chérubin opens [redacted] 14 (071-240 [redacted])
[redacted] Jonathan [redacted] production [redacted] Der Rosenkavalier opens [redacted] Wed, conducted by Yakov Kreizberg [redacted] designed by [redacted] Lazaridis, with [redacted] by Anne Evans, Sally Burgess and John Tomlinson. Repertory [redacted] includes [redacted] Hytner's production of [redacted] (071-836 3161)

CONCERTS
[redacted] Tonight: Franz [redacted] conducts LPO in a new work by Jonathan Lloyd, plus Saint-Saens and Stravinsky, with violin soloist [redacted] Peter Zimmermann. Tomorrow: Charles Mackerras conducts RPO in Janacek, Sullivan, Tchaikovsky and Brahms, with cello soloist Raphael Wallfisch. Sat: John Eliot Gardiner conducts North [redacted] Radio Orchestra in Strauss, Weill [redacted] Rakhmaninov, with [redacted] Lemper. Mon: Charles Farncombe conducts Handel's [redacted] Stefan Sanderling conducts LPO in Rakhmaninov and Shostakovich, with piano soloist John Lill. [redacted] 6, 7: Roger Norrington conducts [redacted] Pinafore. Feb 13, 16, [redacted] James Levine conducts the Philharmonia. [redacted] 14, 15, 20: Tennstedt conducts [redacted] (071-928 [redacted])
Barbican Tonight: [redacted] Previn conducts LSO in Haydn and Brahms, with cello [redacted] Wendy Warner. Tomorrow: Mark [redacted] conducts CBSO in Elgar, [redacted] and Sibelius, with mezzo [redacted] Murray. Sun: Leopold Hager conducts LSO. [redacted] 31-Feb [redacted] Schumann and Friends, concert [redacted] devised by Raymond Leppard with English Chamber Orchestra, featuring Nikolai Demidenko, Thea King and Richard Stoltzman (071-638 8891)
Wigmore [redacted] 4: Margaret Price. Feb 9: [redacted] Kallisch. [redacted] 15: [redacted] Bonney. [redacted] 22: Jerry Hadley. [redacted] 2: [redacted] Hampson (071-935 2141)

MADRID

[redacted] Nacional [redacted] Musica Tonight: [redacted] Robles harp [redacted] Tomorrow, [redacted] Aldo [redacted] conducts Spanish National [redacted] in works by Stravinsky [redacted] Tchaikovsky, [redacted] violin [redacted] Dmitri Sitkovetsky (01-337 0100)
[redacted] Lirico La Zarzuela Tomorrow, Sun: [redacted] Pilar [redacted] production [redacted] Der Freischütz, [redacted] Poul Elming, Ekkehard [redacted] and [redacted] (01-429 [redacted])

MILAN

[redacted] Tonight, Sat, [redacted] Tues [redacted] Nureyev production [redacted] Sleeping Beauty. Tomorrow: final performance [redacted] The Fiery Angel. [redacted] Antiqua [redacted] 8, 10, 12: [redacted] conducts Wagner (02-7200 3744)

NAPLES

Teatro San Carlo There [redacted] a final performance [redacted] La [redacted] Giusy [redacted] Vincenzo La [redacted] Zoltan [redacted] by Rakhmaninov, Musorgsky [redacted] Tues, Wed, Fri, [redacted] and Sun. The [redacted] production [redacted] La Sonnambula, opening Feb 26 (081-797 2331)
[redacted] Palme Tomorrow: Hagen [redacted] Thurs: [redacted] Lonquich piano [redacted] (081-406011)

PRAGUE

■ [redacted] conducts Czech [redacted] Orchestra [redacted] Prague [redacted] and [redacted] Hall in Grieg's complete [redacted] for [redacted] Gynt (02-286 0111)
■ [redacted] Turnovsky [redacted] Prague Symphony [redacted] Tues [redacted] Hall in works by Haydn, Bartok [redacted] Mendelssohn, with piano [redacted] Ortiz (02-232 2501)
● Repertory at the National Theatre includes Rusalka, The Devil and Kate, The [redacted] Bride and La [redacted] (02-205364). Staged performances of [redacted] operas [redacted] given [redacted] (02-228658)
■ Prague [redacted] Opera [redacted] Rigoletto tomorrow, Entführung [redacted] and La [redacted] on Sun afternoon. The [redacted] opera ball takes place on Feb 5, and there [redacted] no further performances till [redacted] night of a [redacted] production [redacted] Carmen [redacted] 16 (02-265353)

ROME

[redacted] Olimpico Tonight: Hagen [redacted] plays string quartets by [redacted] Thurs: Fone Quartet. [redacted] 10: [redacted] Schiff (06-320 1752)
[redacted] Tonight: [redacted] and Thomas Demenga play [redacted] for [redacted] (06-687 [redacted])
[redacted] Valle Sun, Mon, Tues: Spiros Argiris conducts [redacted] di [redacted] in works by Webern, Schoenberg and Richard [redacted] (06-678 0742/ [redacted] 3794)
[redacted] Il [redacted] Sun morning: [redacted] Yepes (06-5734 4664)

VENICE

Teatro La Fenice Feb 3, 6, [redacted] 12, 17: John Schlesinger's Covent [redacted] production of [redacted] Contes d'Hoffmann (041-521 0161)

ARTS GUIDE
Monday: Berlin, [redacted] York [redacted] Paris.
Tuesday: Austria, Belgium, [redacted] Chi-[redacted] Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions [redacted]

European Cable and Satellite Business TV
(Central European Time)
MONDAY TO FRIDAY
Super Channel: European Business Today 2230; repeated 0630, 0715
MONDAY
[redacted] Channel: FT Reports [redacted]
TUESDAY
Super Channel: [redacted] of [redacted]
Euronews: FT Reports 0745, 1315, 1545, 1845, [redacted]
WEDNESDAY
Super [redacted] FT Reports [redacted]
THURSDAY
Super [redacted] 1230; FT Reports 2130
Euronews 0745, 1315, 1545, [redacted]
FRIDAY
Super [redacted] FT Reports 1230
[redacted] FT Reports [redacted]
SATURDAY
[redacted]
SUNDAY
Super [redacted] FT Reports [redacted]
[redacted] FT Reports 1730; 0430

Pale males and predatory women

BOOK REVIEW

DISCLOSURE
By Michael Crichton
Century. £14.99

Thomas [redacted] ders [redacted] great guy: smart, well-liked and [redacted] places in his Seattle-[redacted] high-tech company. Meredith Johnson is a bitch: manipulative, ruthless and sexy. [redacted] morning [redacted] up to work late – having given [redacted] kids breakfast while his lawyer [redacted] throws a tantrum – [redacted] find Meredith has been appointed his [redacted].

Once they were lovers but, since they split up 10 years ago, they have barely [redacted] each other. On her first day in the job she plies him with wine, [redacted] leaps on top of him. He fights her off, escaping with a [redacted] chest and a [redacted] shirt. The [redacted] morning both claim they [redacted] sexually [redacted] by the other.

Were *Disclosure* an ordinary airport novel the verdict would be simple: [redacted] characters [redacted] cardboard cut-outs and the plot ludicrous. The [redacted] none [redacted] worse for that. The story [redacted] along, taking in sex, power, [redacted] clashing cultures of [redacted] merging companies, virtual reality systems, CD-Rom disc drives [redacted] telephones [redacted] credit card.

In other circumstances you would read it, enjoy it, forget it. Yet [redacted] Crichton – [redacted] caused something of [redacted] stir with [redacted] novel *Jurassic Park* – [redacted] intent [redacted] getting [redacted] publicity out of [redacted] one. If [redacted] velociraptor [redacted] frightening, [redacted] the [redacted] in the power suit.

Crichton [redacted] *Disclosure* [redacted] be [redacted] very seriously indeed. [redacted] claims the book was a quasi-scientific undertaking, [redacted] on [redacted] story and sub-[redacted] by [redacted] interviews with experts in [redacted] field of sexual harassment. [redacted] suggested [redacted] part [redacted] the [redacted] son for writing [redacted] explain [redacted] his four-year-old daughter what a [redacted] old word it [redacted] there.

It should [redacted] his four-year-old long [redacted] work [redacted] daddy [redacted] picked [redacted] hot topic. Sexual harassment and male backlash [redacted] corporate preoccupations of the moment: combine them in [redacted] story in which [redacted] woman [redacted] man, and bingo, [redacted] film rights [redacted] and feminists are furious.

Unless she has a good sense of humour, his daughter may not like the [redacted] women are presented. Talented "pale males" are passed [redacted] for jobs in favour of less capable women. The only trustworthy females are dull and ugly. [redacted] men [redacted] sit next to a [redacted] colleague on an aircraft for fear she will [redacted] him of being unable [redacted] keep his hands [redacted] himself.

Yet for all that, *Disclosure* [redacted] some *interesting points.* By reversing [redacted] the villain and the victim, the *author* [redacted] *question our* [redacted] reactions [redacted] sexual harassment. The sight of a woman grabbing and lunging simply underlines how obnoxious [redacted] men [redacted] who really [redacted] in this way. This [redacted] Crichton's intention.

[redacted] trying to [redacted] sexual [redacted] not [redacted] women's issue. *Repeatedly* [redacted] nothing [redacted] do with [redacted] and everything [redacted] *do with power. In the words of* Louise Fernandez, Thomas's shrewd lawyer: "Sexual harassment is about power, and [redacted] company's resistance [redacted] dealing with it. Power protects power. And [redacted] gets [redacted] in the power structure, she'll [redacted] protected by [redacted] structure, the [redacted] man."

Nobody denies that [redacted] men. In the [redacted] 10 per cent of [redacted] 22,000 cases [redacted] year [redacted] from men. [redacted] Europe [redacted] also [redacted] small but growing number of men who claim [redacted] have been [redacted] by women. Crichton is also right to point out [redacted] *companies* [redacted] *to stand* behind their senior executives. [redacted] argument that harassment *is only* [redacted] *function of* power, [redacted] senior [redacted] just as likely [redacted] perpetrators [redacted] their [redacted] counterparts, is tenuous [redacted].

Still [redacted] dubious [redacted] notion [redacted] use the [redacted] tactics in [redacted] office as their male counterparts. The [redacted] from the UK, [redacted] least, suggests they [redacted] more likely to wear their victims down, with constant unwanted remarks and *invitations, than* pin them to the sofa. It is in this context that the implausibility of Meredith-the-she-devil matters: if sexual abuse of power comes as naturally [redacted] women as to men, we need a more recognisable stereotype. But a Meredith who persecuted Thomas [redacted] might not be bestseller material.

Regardless of the sex of the victim, [redacted] makes both [redacted] much and too little of the [redacted] harassment. *Too much, because the out*-[redacted] of the corporate merger is made [redacted] depend on whether [redacted] pounced on her [redacted] vice [redacted] little, [redacted] guilt, lost rep*utation and damage* [redacted] *family* life that [redacted] with sexual harassment [redacted] skated *over.* When [redacted] *Thomas* comes through victorious, he [redacted] to [redacted] been emotionally [redacted] by the incident.

Crichton's view [redacted] that [redacted] ual harassment claims [redacted] reaching their [redacted] level. He [redacted] that society will have to form rules [redacted] cope with the new political [redacted] allegations [redacted] flying and nobody knows what behaviour is appropriate any more. He *shows how damaging* [redacted] accusation of sexual harassment [redacted] be, [redacted] against the "contemporary climate where [redacted] guilty [redacted] anything they [redacted] of".

The press release that accompanies the book [redacted] with [redacted] unusual [redacted] in heavy type: "*Disclosure* illumi-[redacted] today [redacted] it [redacted] before it [redacted] out of hand." Actually, [redacted] book [redacted] demand, neither [redacted] give much account of how the matter could be remedied. Fernandez, [redacted] lawyer, throws *in her solution* [redacted] *end of* [redacted] book, but [redacted] left dangling: "When women have 50 *per* [redacted] *of the executive posi*tions. That's when it will end."

Some readers, enraged [redacted] the depiction of "female chauvinist sows", and irritated by the advertisements warning that [redacted] more deadly than dinosaurs, might doubt whether the author [redacted] total equality is the answer.

Lucy Kellaway

ECONOMIC VIEWPOINT

Jobs – keep out the politically correct

By Samuel Brittan

The Organisation for Economic Co-operation and Development's special draft report on unemployment, outlined in the Financial Times on *January 24, is an example of* excellent detailed analysis spoilt by [redacted] attempt [redacted] impose *a politically correct conclusion* and summary.

Does it really help to [redacted] *the influence of* [redacted] OECD [redacted] conclude "the requi-[redacted] policy agenda will [redacted] *wide-ranging, and politically diffi*cult, requiring much determination and a commitment to *social equity"? The call for* "undogmatic and [redacted] solutions" [redacted] doubt aimed at *those whom French speakers* call "ultra-liberals", but [redacted] any-[redacted] all impressed? Is "an [redacted] *ability* [redacted] *adapt to* change" adequate [redacted] a summary of what has gone wrong?

These examples of OECD-speak from Paris – like similar examples of Eurospeak from *Brussels – serve only to* smother [redacted] of [redacted] fascinating information that the organisation's analysts have unearthed. For instance I did not know until I [redacted] this document of [redacted] survey evidence that, for every part-time worker wishing to work full-time, there [redacted] three full-time workers who would prefer [redacted] work part-time if they [redacted] able to.

I have, however, the fortu-[redacted] advantage over [redacted] that I am not trying to increase *my non-existent influence* [redacted] conferences, [redacted] alone [redacted] please [redacted] governments. [redacted] let me try [redacted] own summary of [redacted] main aspects of the European unemployment problem.

■ First, all markets require [redacted] shock absorb-[redacted] product markets these consist [redacted] stocks. [redacted] the labour market, as they [redacted] present function, [redacted] people out of work.

● Second, the size of this [redacted] swollen by two phe-[redacted] *inadequate overall* demand; and pay and other labour costs which price work-[redacted] *out of jobs. The latter has* been the [redacted] fundamental. [redacted] both forms of failure interact with and reinforce each other.

■ Third, they [redacted] both aggravated by a shortage of capacity – it [redacted] this last which provides the effective ceiling to UK employment at present. Such capacity bottlenecks do not [redacted] by accident in advanced economies. They are nearly always a response [redacted] excess labour [redacted] in [redacted] past. As a result, investment has had [redacted] much of a capital deepening character, designed to cut costs and save manpower, and not enough of a capital widening kind, designed to increase capacity. (All of this is explained much more clearly in *The World Economy in Perspective*, by Herbert Giersch, published by Edward Elgar in 1991, than it is by [redacted] OECD.) In addition, the legacy of past inflationary decades makes financial markets [redacted] suspicious of official attempts to sustain demand.

[redacted] follows from [redacted] proposition that work-sharing gimmicks, such as early retirement, compulsory cuts in hours and [redacted] on, have at best a neutral impact [redacted] jobs. The [redacted] amount of unemployment will re-emerge around a smaller amount of output [redacted] employment. This [redacted] a self-inflicted wound that European countries with ageing populations should hesitate [redacted] impose on themselves. [redacted] practice, the effects [redacted] likely to be per-[redacted] because labour [redacted] *increase if pay* [redacted] *not cut* [redacted] proportion to the reduction in hours. If shortages of highly *skilled workers emerge* or if the amount of effective industrial capacity is reduced.

Why should these phenomena have become so much worse in recent decades? There has probably [redacted] in the market-clearing price of many kinds [redacted] labour and certainly a fall in the relative [redacted] for [redacted] unskilled, [redacted] less adaptable and the unlucky. *How far* [redacted] trends [redacted] due [redacted] technical change inside [redacted] and *how* [redacted] *competition* from newly industrialised countries [redacted] unsettled: but the implications are quite similar.

In return for moves to market-clearing pay, the casualties should be compensated

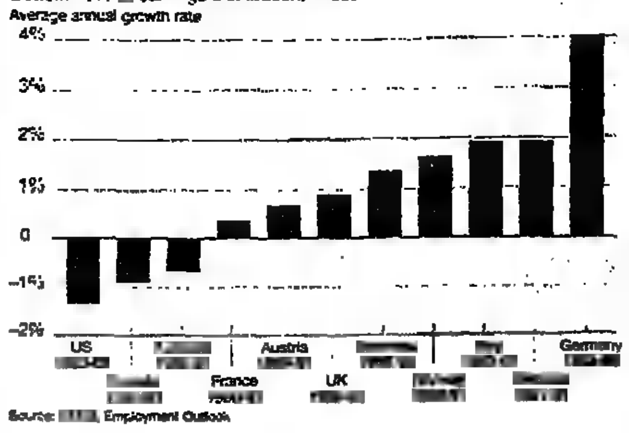
The pressures are starkly illustrated by the accompanying chart. *Low-paid workers* have been under pressure everywhere. (The bar representing *Germany should be* treated [redacted] caution because only five pre-unification [redacted] are covered.) But whereas in the US these pressures have taken the form of falling real pay, in Europe they have expressed themselves [redacted] high unemployment.

If, however, Europe is [redacted] move towards American-type market-clearing pay, and [redacted] unemployment which is [redacted] only [redacted] but more short-term in composition, it [redacted] important that the [redacted] *of lower pay* [redacted] topped up by the [redacted] of [redacted] benefit from a more efficiently working [redacted]. Social security systems have [redacted] designed carefully [redacted] minim-[redacted] work disincentives, but they [redacted] have to [redacted] adequate.

Some [redacted] that they have [redacted] adequate [redacted] provided by [redacted] UK *Social* [redacted] published today. The special [redacted] in [redacted] the [redacted] 20 per [redacted] population [redacted] by taking a snapshot of affairs in [redacted] the chap-[redacted] on [redacted] and wealth [redacted] important [redacted] which gives [redacted] – indeed [redacted] have already emerged *in parliamentary answers after* last summer's recess.

Growth in real hourly wages [redacted] low-paid workers

Bottom 10% [redacted] earnings distribution, males



Source: [redacted] Employment Outlook

UK real income

[redacted] real income after housing [redacted] Index (1979 bottom fifth = 100)

	Quintile groups of individuals*					
	Bottom fifth	[redacted]	Middle fifth	Next fifth	[redacted]	Average
1979	100	138	177	226	[redacted]	197
1981	96	135	174	225	323	196
1987	99	143	200	267	406	236
1988-89	100	153	217	289	438	255
[redacted]	[redacted]	155	222	304	467	267

Source: Social Trends

*Net equivalent household income

The table shows clearly that, looking at net income after housing [redacted] – which [redacted] normal method in [redacted] comparisons – the real income of [redacted] bottom fifth fell [redacted] when Lady Thatcher came to office, and 1990-91 not merely in relation to the rest of the population but in absolute terms. The typical drop was 3 per cent, compared with a rise of 28 per cent (after tax and benefit) for the *middle fifth and a rise of 50* per cent for the top fifth. The estimates may, as ministers have claimed, have been distorted by the under-reporting of the incomes of the increasing number of self-employed people and other statistical problems. But these complications do not explain away the whole change.

The root explanation is that the Conservative policy of tying benefits purely to prices and not [redacted] all to incomes is bound to be vulnerable. For any failure to claim benefit, or any change in specific circum-[redacted] not covered [redacted] the system, will be sure to tip some families into [redacted] absolute net [redacted].

However, the *Trends* analysis is a warning against spurious remedies for poverty. A table reproduced on page 6 of today's FT shows that 56 per cent of heads of household in the bottom fifth of the income distribution are retired or without a job. Only 4 per cent are unskilled workers and 9 per cent semi-skilled ones who might benefit – if *they remain in work* – from Labour's proposed minimum wage. Another chart shows that 69 per cent of the incomes of the bottom fifth consist of benefit and only 20 per cent of earnings from employment.

Analysed in another way, more than 70 per cent of the bottom fifth of households with children consist of one-parent families or couples with children where neither parent has full-time earnings. These estimates do not suggest that the British social security system is overflowing with generosity to such people.

But simply to call for more generous benefit all round is unconvincing when social security already totals £80bn a year and is by far the largest component in the UK budget. Greater generosity needs to be combined with greater selectivity. The left wing emphasises the first, the right wing emphasises the second. The need is not to split the difference, but for larger amounts of both. There is also a need for adjustments in the conditions attaching to benefit to make it easier for people of low earnings [redacted]pacity to participate in [redacted]bour markets [redacted] entitlement altogether.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 [redacted]
[redacted] 071 873 [redacted] Letters transmitted [redacted] be clearly typed and not hand written. Please set fax for finest resolution

Shake-up is best chance for Japan

From Professor [redacted] *Dore.*

Sir, Your flabby editorial *advice to Prime Minister Hoso*kawa ("Tokyo: time to compromise", January [redacted] – that he should patch up [redacted] compromise with the Liberal Democrats [redacted] electoral reform – ill becomes you. It would lead only to another decade of hugger-mugger corruption.

The point [redacted] the reform bill was not [redacted] single-member constituencies are [redacted] how better or [redacted] democratic. It [redacted] just [redacted] – as intelligent Italians perceived – the [redacted] way [redacted] shaking [redacted] nation out of corrupt practices is [redacted] make a lot of [redacted] basic [redacted] irrelevant by a new system [redacted] elections. And his [redacted] in the Upper House gives Hosokawa the chance [redacted] to [redacted] shake-up in an even [redacted] thorough-going way.

Surely better advice would [redacted] *should take a* [redacted] the [redacted] Segni and his referendum alliance [redacted] the [redacted] Italian general election – but in [redacted] more thorough-going fashion. Hosokawa's personal popularity [redacted] high. If a referendum [redacted] possible the reform bill would win [redacted] strong popular majority.

So why does he not take his courage in both hands, [redacted] the Lower House, [redacted] put himself [redacted] head of a cross-party [redacted] hoc reform alliance with [redacted] of the reform bill as [redacted] *sole objective?* [redacted] should clearly declare his refusal [redacted] advance deals either on *cabinet seats* [redacted] other aspect of policy; [redacted] promise further elections [redacted] as [redacted] *is changed. It* is a package which might just [redacted] off. Even trying it [redacted] "*break* [redacted] *mould*".

[redacted] would not [redacted] so bad, either, for the economy that *you are primarily worried* about. [redacted] excitement [redacted] optimism engendered could *well restore business confi*dence. There might even be [redacted] paralysis of government; [redacted] bureaucracy could [redacted] with [redacted] usual, [redacted] fewer irrational interruptions.

Ronald Dore,
Centre for Economic Performance,
[redacted] *School of Economics,*
Houghton Street,
London [redacted]

Inflation factor in tax argument

From Mr [redacted] *Colchester.*

Sir, One crucial point has [redacted] unmentioned as government [redacted] *opposition* [redacted] about which of them [redacted] Britain [redacted] heavily. It [redacted] *inflation is a* [redacted] tax, [redacted] governments [redacted] hard-pressed to [redacted] without.

Today's Conservative government [redacted] trying [redacted] inflation [redacted] 10 per [redacted] lower than that managed by [redacted] Labour government [redacted] the [redacted] amount [redacted] inflation would [redacted] state's net current [redacted] roughly £250bn by [redacted] a [redacted] *as part of the insidious* [redacted] by which [redacted] *taxes the saver and hands the proceeds to the debtor.*

There is not [redacted] huge amount to choose between the indebtedness of the state today and in [redacted] 1970s, but [redacted] huge difference in its real carrying cost for the government. Set against a total tax take of some £220bn [redacted] year, that handicap of £25bn a year is a big one, particularly now [redacted] income from the sale of state assets has dwindled.

One wonderful thing about low inflation is that it forces *governments to be more hon*est about what they offer and how they finance it, for any *given degree of involvement in* the economy. But it may also force them to put up with prof*ligate governments of the past* claiming that they somehow offered people more while taxing them less.

They didn't; they just did it more stealthily.

Nico Colchester,
editorial director,
The Economist Intelligence [redacted]
15 Regent Street,
London W1

Performance falls [redacted] executive pay rises

From [redacted] *J* [redacted] *Henry.*

Sir, Your story, "Executive pay rises [redacted] than inflation" (January 24), [redacted] important points but *it* [redacted] *identify* [redacted] significant feature. [redacted] on [redacted] sample from [redacted] latest *accounts* – [redacted] *year ending* October 31 [redacted] plc companies in [redacted] FT-SE "non-financials", *the remuneration* [redacted] highest-paid directors [redacted] by [redacted] on a year-on-year basis.

Breaking this down into [redacted] you used shows [redacted] highest-paid directors in [redacted] companies with sales exceeding [redacted] received increased remuneration of [redacted] cent. [redacted] directors in the [redacted] companies with [redacted] between £100m [redacted] £600m [redacted] per [redacted] the [redacted] with sales [redacted] than £100m had [redacted] 7.76 per [redacted].

Total [redacted] remuneration [redacted] by [redacted] more [redacted] 3.48 [redacted] cent, according [redacted] the published accounts, while [redacted] number [redacted] by [redacted] per cent, suggesting [redacted] did [redacted] do quite so well.

A study such as the one the FT reported depends on [redacted] co-operation [redacted] participating companies. This raises the pos*sibility* [redacted] *a study having* [redacted] omit [redacted] companies which did [redacted] wish [redacted] *avoiding* [redacted] increases. [redacted] above figures [redacted] total sample [redacted] FT-SE "non-financials", plus a [redacted] and therefore provides a robust [redacted].

What [redacted] concerning [redacted] while [redacted] average increases were being paid [redacted] the highest paid directors, the overall corpora[redacted] performance [redacted] actually falling. The return on [redacted] fell [redacted] 18.78 per [redacted] 15.52 per [redacted] (-17.4 per cent), return [redacted] *capi*tal employed fell from 7.78 per [redacted] (-17.2 per cent), margins declined from [redacted] to [redacted] per cent (-17.4 [redacted] cent) and [redacted] value/pay [redacted] from 1.71 to 1.69 (-1.2 per cent). Earnings fell [redacted] but retained profit fell by [redacted] per cent to only 22.55 per [redacted] figure four [redacted] earlier. Noticeably, dividends [redacted] up [redacted] over the same four years.

Not only are [redacted] *receiving increases larger than* inflation, [redacted] your feature stated, [redacted] most senior *executives are doing virtually* twice as well as the average you showed. Surely [redacted] suggests that the supposedly independent compensation committ-[redacted] rigorous attention to detail when setting [redacted] and reviewing performance. Otherwise, how can such overall increases be awarded [redacted] the same time as performance is falling?

J Dennis Henry,
V I Consultants,
11 Clydebrae Drive,
Bothwell, Glasgow

Tax distortions on drinks harming UK pubs

From Mr Robin Simpson.

Sir, Your leader "Cross-*Channel Shopping*" (January 25) [redacted] some curious arguments. You seem [redacted] be saying *that lower beer prices* [redacted] markets hurt pubs, but [redacted] beer prices from duty-[redacted] *imports!* [redacted] *facts* [redacted] obvious. [redacted] one in every seven pints drunk at home is a *duty-paid import.* This [redacted] hurt everyone who produces and sells beer in the UK, *including pubs, clubs, off-li*-[redacted] and supermarkets – some 100,000 businesses employing around 500,000. On-licensed premises represent around 74 per [redacted] of UK licensed outlets and are suffering accordingly.

[redacted] of revenue to the chancellor is at [redacted] £160m from [redacted] duty and VAT. But it [redacted] beyond that, damaging [redacted] all kinds [redacted] from the businesses and individuals affected.

On pricing, your readers would not [redacted] guessed that [redacted] prices, [redacted] tax and discounts, have decreased [redacted] the retail prices index over [redacted] past three years. Externally imposed service costs on pubs have increased well above RPI. Beer prices in pubs, net of tax, are almost the lowest in the whole of the European Union; only Portugal is lower. Something has to give and the need is for fair competition in the single market, without distortion by the UK tax system.

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European defence

Yesterday's meeting of the British, French and [redacted] defence ministers [redacted] was apparently an [redacted] dented event. It would be quite normal for any [redacted] them [redacted] bilaterally, [redacted] for all three [redacted] meet with their colleagues in [redacted] European Union. But a trilateral meeting is [redacted] novelty.

That it [redacted] been held barely [redacted] fortnight after the [redacted] Nato summit is [redacted] a [redacted] One important and perhaps insufficiently noticed [redacted] of that summit [redacted] to give [redacted] significant [redacted] is known, in [redacted] politico-military jargon, [redacted] "European security [redacted] defence identity" (ESDI). Previous attempts [redacted] develop this [redacted] checked by [redacted] conflicting priorities [redacted] Britain and France. France [redacted] that ESDI should [redacted] an aspect [redacted] EU, [redacted] from and independent [redacted] Nato, while the UK [redacted] anything [redacted] might [redacted] compete with, undermine [redacted] otherwise [redacted]

[redacted] the summit [redacted] Bill Clinton not only [redacted] US's long-term commitment [redacted] European security, but also made it crystal clear that this commitment would be [redacted], not weakened, by [redacted] development [redacted] the ESDI, to which the new "combined joint taskforces" [redacted] intended to give tangible form. More important, [redacted] so in a [redacted] apparently [redacted] conviction with European leaders, including notably [redacted] François Mitterrand.

France, no longer under pressure [redacted] return formally [redacted] the integrated [redacted] command [redacted] it left in 1966, and [redacted] longer suspecting the "Anglo-Saxons" [redacted] seeking to block the development [redacted] ESDI, has [redacted] virtually all [redacted] inhibitions [redacted] working with [redacted] a day-to-day basis. The UK for [redacted] part [redacted] feels much more [redacted] and positive about ESDI. Current [redacted] in [redacted] is [redacted] it should be possible, when the Maastricht treaty is revised in 1996, to [redacted] the EU with a [redacted] mon defence policy explicitly linked [redacted] the Atlantic alliance. This would, among other things, [redacted] it easier [redacted] rebut [redacted] objections [redacted] central and [redacted] European [redacted] joining [redacted] since membership [redacted] the [redacted] would [redacted] logical part of their preparation for membership [redacted] EU.

The faltering of [redacted] reform [redacted] and the chauvinis[redacted] from Russia in the last [redacted] months, have obliged [redacted] European governments [redacted] begin thinking seriously [redacted] defence; while the US attitude to the former Yugoslavia [redacted] strengthened the feeling, in Lon[redacted] as well [redacted] Paris, that Europe should [redacted] better equipped [redacted] military [redacted] on [redacted] own when [redacted]. At present Europe [redacted] clearly incapable of doing anything [redacted] in [redacted] without US leadership and [redacted] involvement.

That will not [redacted] changed by [redacted] meetings of [redacted] ministers, [redacted] for [redacted] by [redacted] the Maastricht treaty. If they seriously intend [redacted] develop [redacted] capacity [redacted] act, Euro[redacted] governments will have to check [redacted] perhaps [redacted] the [redacted] their [redacted] budgets, which everywhere except in France [redacted] virtually in free fall. They will [redacted] look much harder [redacted] ways of getting [redacted] "big[redacted] bang [redacted] buck" (or for the Ecu), [redacted] co-ordinating [redacted] pro[redacted] policies and extending [redacted] single [redacted] con[redacted] Above all they will [redacted] develop [redacted] genuine unity [redacted] pur[redacted] capacity [redacted] reach [redacted] decisions and [redacted] willingness to act on them.

[redacted] that [redacted] be little hope until Germany overcomes the inhibitions it currently [redacted] about joining in military operations, even when firmly convinced of their political necessity.

Public sector pay

Tough [redacted] require tough [redacted] skilfully implemented [redacted] The government's [redacted] the public sector wage bill for the next [redacted] is [redacted] suitably firm [redacted] gaping fiscal [redacted] and [redacted] inefficiency which still infects many [redacted] public [redacted] Yet the government [redacted] avoid undermining the indepen[redacted] review bodies, which [redacted] in [redacted] process [redacted] making recommen[redacted] on [redacted] round [redacted] pub[redacted]

The three-year freeze on the public sector wage bill announced by the chancellor last September never implied a freeze on wages. If [redacted] can be reduced and more [redacted] working practices [redacted] the savings [redacted] can [redacted] used to fund higher wages.

It is not yet known what the pay review [redacted] will recommend. Their [redacted] is [redacted] comparisons with the private sector, where pay [redacted] rising at an annual rate of 3 [redacted] cent, [redacted] line inflation is running at 1.9 per [redacted]. It may be that some of the review bodies will see a case for increases significantly [redacted] of this inflation rate, but there [redacted] a reasonable chance that they will call [redacted] which can [redacted] within a static overall [redacted] bill.

If this happens, it will further [redacted] completing [redacted] pay round [redacted] Some public [redacted] union [redacted] talked [redacted] spring [redacted] on wages, but in reality their [redacted] little [redacted] wanting a fight. Union leaders would [redacted] wise [redacted] recognise this mood, [redacted] the government cannot [redacted] restrictions on pay in [redacted] public [redacted] overturned [redacted] this stage in [redacted] deficit-reduction process. Any challenge would be firmly resisted.

Ministers, however, should beware [redacted] hubris which might [redacted] from an easy victory this year. It is not in anyone's interest to see public sector [redacted] slip seriously [redacted] line [redacted] those in the private sector [redacted] the [redacted] tightens.

The widespread strikes and breakdowns in public service which led [redacted] creation [redacted] the independent review bodies a [redacted] ago [redacted] not necessarily [redacted] banished for ever. Before [redacted] risk undermining their [redacted] by casually ignoring [redacted] in good times, they should [redacted] upon the long-term value of a mechanism that [redacted] transpar[redacted] analysis and [redacted] alternative to confrontation.

It [redacted] difficult [redacted] make sensible productivity projections [redacted] public [redacted] three-year period [redacted] the proposed [redacted] and ministers will be [redacted] to consider the [redacted] with [redacted] leaping [redacted] convenient conclusions.

[redacted] same time, ministers should recognise that their poli[redacted] towards [redacted] public sector involve an unreconciled [redacted]tradiction: on the [redacted] hand they favour [redacted] contracting [redacted] and greater freedom for local management; on the other, they are using [redacted] blunt and centralised instrument on [redacted]. It would [redacted] unwise [redacted] regard the three-year paybill [redacted] beyond further debate.

Parent power

[redacted] should run Britain's [redacted] schools, appoint the [redacted] decide their priorities? The answer, [redacted] government [redacted] school governors, the majority of [redacted] are parents. [redacted] right [redacted] hire and fire teachers – the head teacher, in particular – was taken [redacted] from [redacted] authorities to stop [redacted] interfering in [redacted] day-to-day working [redacted]

Now [redacted] apparently [redacted] reform [redacted] into [redacted] by [redacted] Kingsmead School in Hackney, [redacted] Ms [redacted] Brown, the head, last [redacted] instant notoriety by ref[redacted] cheap [redacted] for her children [redacted] see the ballet [redacted] Juliet. She described Shakespeare's plot as "blatantly heterosexual", calling down a [redacted] media interest and abuse for her [redacted]. This abated somewhat after [redacted] apologised for her decision. But it then emerged that [redacted] Brown shares a house with a woman who chaired [redacted] governors at [redacted] time [redacted] her appointment.

Hackney Borough Council, anxious to improve the poor image of [redacted] service, [redacted] an immediate inquiry into her appointment. To the council's horror, [redacted] governors [redacted] suspend her during the inquiry. In this, they apparently have the backing [redacted] parents: even [redacted] of [redacted] tickets say that [redacted] has been a good [redacted]. Parents [redacted] a healthy scepticism [redacted] Hackney's [redacted] a quick end [redacted] More [redacted] point, they [redacted] well able [redacted] separate [redacted] Brown's pri[redacted] life [redacted] professional per[redacted]

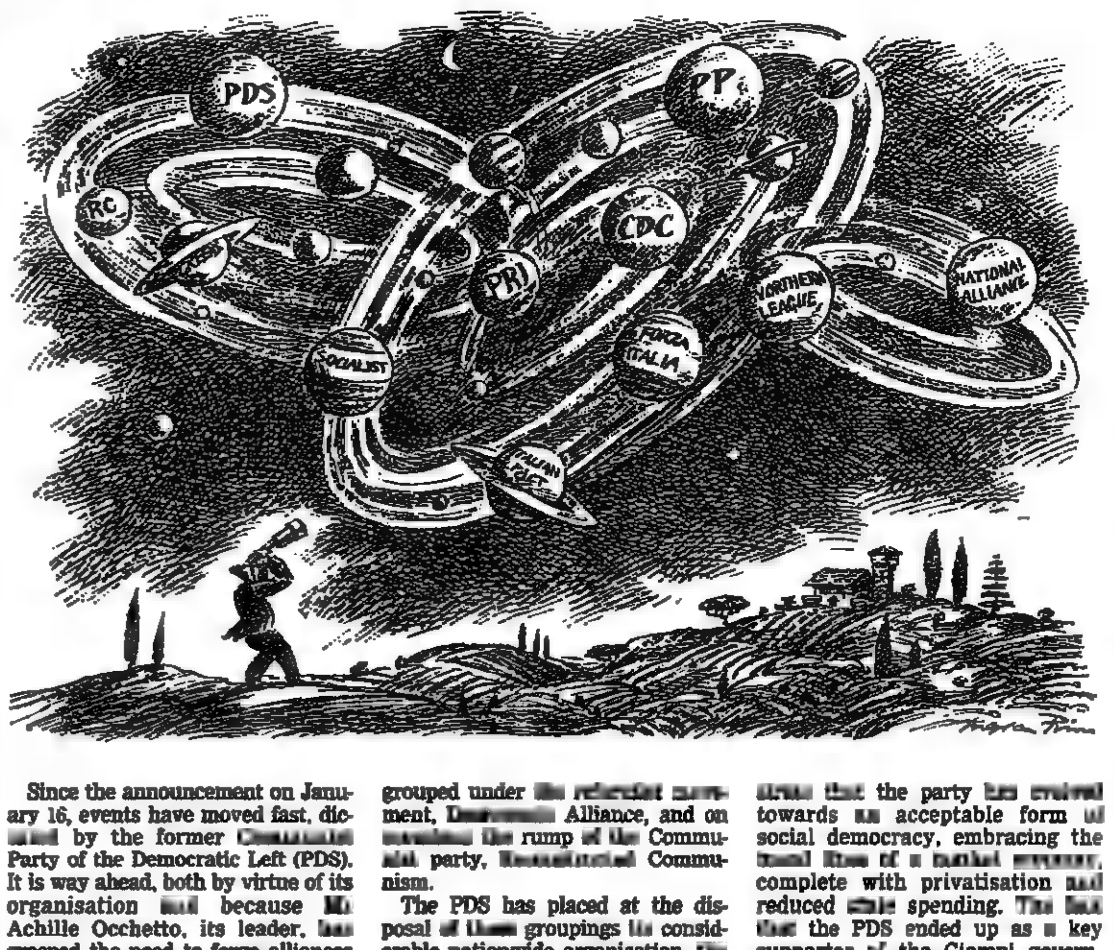
This [redacted] predictable calls [redacted] John Patten, the [redacted] secretary, to intervene and remove [redacted] Brown as [redacted]. He can [redacted] under powers [redacted] over [redacted] from the [redacted] Education Act. [redacted] to ignore [redacted] calls, however, despite [redacted] prospect [redacted] popular acclaim [redacted] so doing. If parent power is to mean anything, [redacted] governors' decision – [redacted] with clear parental backing – must [redacted] second-guessed from Whitehall.

[redacted]

ITALIAN ELECTIONS

On the planet of the unholy allies

Robert Graham examines the realignment of Italy's political parties [redacted] they prepare for a general election



[redacted] Italy [redacted] for [redacted] general election in March, the spectacle [redacted] ing galaxies. Politicians and parties are like planets orbiting each [redacted] nothing [redacted]

[redacted] poll [redacted] 27 will [redacted] in [redacted] country's political development. A [redacted] electoral formula will [redacted] the principle of a first-past-the-post system [redacted] vot[redacted] will choose [redacted] a plethora of recycled [redacted] parties.

At this stage the [redacted] unpredictable. [redacted] political parties [redacted] funds, poorly organised [redacted] without any clear [redacted] of where their [redacted] likely [redacted] – let [redacted] the policies [redacted] such [redacted] might [redacted] sought.

The latest [redacted] is [redacted] Berlusconi, [redacted] He [redacted] chosen [redacted] ignore [redacted] refrain from direct politics [redacted] has [redacted] to [redacted] white knight for people "of goodwill" [redacted] rally round and pre[redacted] Italy being run by [redacted] left-wing government.

While no one will hazard [redacted] bet [redacted] likely winner, [redacted] winners, [redacted] of the election can be predicted. Italy will introduce [redacted] system that [redacted] parties [redacted] power. This [redacted] turning point in political culture.

Until [redacted] Italy [redacted] been unique [redacted] European democracies for [redacted] political immobility. Christian Democrat-dominated coalitions have backed each of Italy's [redacted] postwar governments. [redacted] genuine alternative to [redacted] parties [redacted] government [redacted] been [redacted] crucial ingredient [redacted] spread [redacted] corruption [redacted] pro[redacted] collapse [redacted] political system.

The poll is being held a mere 23 months [redacted] general election. But [redacted] early [redacted] of parliament [redacted] of the [redacted] heaped on the [redacted] parties by two [redacted] non-stop [redacted] With one in [redacted] deputies under investigation, parliament had [redacted] moral [redacted] to represent [redacted] people.

Local elections [redacted] June and November, using new electoral laws, [redacted] compo[redacted] of parliament [redacted] out of bal[redacted] popular [redacted] four parties that provided the notional majority for [redacted] technocratic government of Mr Carlo Azeglio Ciampi had [redacted] account for well under 20 [redacted] cent of the popular vote.

Despite efforts by die-hards among [redacted] Christian Democrats [redacted] to prolong the [redacted] of parliament, President Oscar Luigi Scalfaro had [redacted] alternative but to announce [redacted] dissolution.

Since the announcement on January 16, events have moved fast, dic[redacted] by the former [redacted] Party of the Democratic Left (PDS). It is way ahead, both by virtue of its organisation [redacted] because [redacted] Achille Occhetto, its leader, [redacted] grasped the need to forge alliances under the new system, where 75 per cent of the seats are to be covered by majority voting.

Some 18 parties will be contending for a share of power. None, on current estimates, [redacted] capable of mustering more than 18-20 per cent of [redacted] vote, and most will win considerably less. [redacted] victor will, therefore, inevitably have [redacted] be [redacted] coalition of parties [redacted] will [redacted] formed in advance of the elections – a break with tradition.

The PDS has arranged an effective "progressive alliance" of candi[redacted] It is composed of the Sicily-based clean government movement, the Network, the Greens, some rad[redacted] Catholics, [redacted] Republicans grouped under [redacted] ment, [redacted] Alliance, and on [redacted] rump [redacted] Communist party, [redacted] Communism.

The PDS has placed at the disposal [redacted] groupings [redacted] considerable nationwide organisation, [redacted] best in Italy and inherited from [redacted] Communist party. In return, [redacted] acquired [redacted] *de facto* right to act as [redacted] alliance. [redacted] projections, [redacted] capable [redacted] winning [redacted] of [redacted] vote.

Being [redacted] organised [redacted] everyone [redacted] is [redacted] disorganised [redacted] squabbling [redacted] nature of alliances, the PDS has dictated [redacted] important part of [redacted] battleground.

The campaign will [redacted] fought on whether Italy should have [redacted] government dominated by a party that is the heir to the Communists. This is certainly going to be Mr Berlusconi's chosen area of battle.

It will [redacted] up [redacted] the PDS to demon[redacted] that the party [redacted] towards [redacted] acceptable form [redacted] social democracy, embracing the [redacted] complete with privatisation [redacted] reduced [redacted] spending. [redacted] the PDS ended up as [redacted] key supporter [redacted] the Ciampi govern[redacted] 1994 austerity budget in par[redacted] yet to [redacted] appreciated by the electorate.

The [redacted] of the [redacted] will depend [redacted] good [redacted] split [redacted] other parties [redacted] The more the number of other par[redacted] and [redacted] in [redacted] field, [redacted] greater [redacted] chance of winning. The greatest number [redacted] ings are fighting for the centre ground, to occupy the hole [redacted] by [redacted] 40 per cent of [redacted] voters traditionally accounted for by the Christian Democrats and their allies.

Mr Berlusconi's entry yesterday adds [redacted] "Ross Perot" factor to the equation. He risks splitting the [redacted] vote, rather than acting [redacted] coagulant [redacted] he pretends. [redacted] an inexperienced politician [redacted] been publicly [redacted] stay [redacted] of politics by [redacted] leading political figure.

[redacted] movement, Forza Italia (literally, the footballer's exhortation "Come [redacted] Italy") [redacted] well organised, rich, controversially [redacted] by his television [redacted] and [redacted] public relations; but it cannot [redacted] Mr Berlusconi's manifest vanity nor the thinness of his political [redacted] He is also likely [redacted] become the big[redacted] single target for media [redacted] and investigation, particularly [redacted] his business rivals finance [redacted] big [redacted] of the newspaper industry and support opposing parties. A "Stop Berlusconi" campaign [redacted] thus likely to be a significant feature of the elections.

Forza Italia will [redacted] threatening if Mr Berlusconi makes [redacted] alli[redacted] with the neo-fascist MSI, which [redacted] week sought [redacted] gain greater respectability by rebaptising itself [redacted] National Alliance. The MSI performed strongly in the cen[redacted] and south in last year's local elections, and is [redacted] of [redacted] fastest-growing parties.

Mr Berlusconi probably would have never [redacted] able [redacted] enter politics had [redacted] the Christian Democrats' authority been eroded. The party, founded in 1942, has been obliged [redacted] adopt [redacted] new identity with almost indecent haste [redacted] revive [redacted] fortunes. Last weekend it became the Popular party (PP), drawing inspiration from the similarly named party of the 1920s [redacted] was the forebear of the modern Christian Democrats.

The PP [redacted] still led by the chisel-faced [redacted] Martinazzoli, the former Christian Democrat leader. It looks [redacted] from [redacted] predeces[redacted] and [redacted] the same woolly platform of "Catholic values". The only [redacted] political [redacted] like [redacted] Premier Giu[redacted] Andreotti have been excluded. Some [redacted] per [redacted] of the outgoing [redacted] Democrat deputies have [redacted] break-away party – the Centre Christian [redacted]

Mr Martinazzoli's natural ally [redacted] Mr [redacted] Segni, the referendum [redacted] breakaway Christian Democrat. Mr Segni [redacted] not an easy partner and for the moment has opted for a [redacted] populist Northern League of Mr Umberto [redacted] The latter [redacted] prove a [redacted]ful marriage of convenience with [redacted] league delivering a sizeable [redacted] of [redacted] vote in the north, and Mr Segni picking up the vote in the centre in the south.

At this stage all [redacted] potential alliances look at best opportunistic. [redacted] the exception of the PDS alliance, none [redacted] well for forming [redacted] credible, [redacted] government.

Peter Marsh on a possible way of increasing the independence of the Bank of England

Court revolutions

As MPs [redacted] independence for [redacted] of [redacted] tomorrow, atten[redacted] is turning to [redacted] role [redacted] Bank's court, or governing body. Though the government is unlikely in [redacted] to give the Bank autonomy [redacted] interest rates, the question of how the court might develop over [redacted] longer term [redacted] exercising policymakers.

Mainly comprising captains of industry, plus [redacted] Bank officials, the 18-strong body meets every Thursday in [redacted] Bank's 18th-century "court room" [redacted] discuss general economic trends, the business [redacted] for the City and internal [redacted] such [redacted] training. No formal [redacted] taken, but the meetings [redacted] views [redacted] the Bank officials, led by governor Mr [redacted] George.

[redacted] a more [redacted] role for the court [redacted] if the government [redacted] ever to [redacted] giving the [redacted] control over [redacted] rates.

[redacted] bill [redacted] – [redacted] by Tory back[redacted] Mr [redacted] Budgen – [redacted] little [redacted] becoming law, [redacted] will [redacted] for [redacted] argue that removing politicians [redacted] monetary [redacted] would lead [redacted] more stable economic policies.

[redacted] bill does [redacted] mention the court; Mr [redacted] to concentrate [redacted] the main political and economic issues. But discussion about greater autonomy for the Bank is intrinsically linked to [redacted] of the court, [redacted] has met virtually every [redacted] during the Bank's [redacted] history.

Gatherings of the court [redacted] highly confidential, with [redacted] released in full only a century [redacted] – a lengthy delay even by British [redacted] official secrecy. Each [redacted] member receives £500 [redacted] year plus [redacted] weekly lunch, invariably consisting of [redacted] salmon and roast lamb. Members include Sir David Lees, chairman of engineering group [redacted] Sir Christopher Hogg, chairman of Reuters, [redacted] Colin Southgate, [redacted] Thorn [redacted] Sir "Chips" Keswick, chairman of Hambros Bank.

[redacted] with [redacted] views [redacted] what [redacted] should do [redacted] Sir [redacted] a [redacted] Treasury permanent secretary who is chairman [redacted] the Barclays de Zoete Wedd investment [redacted] In October, he told [redacted] he [redacted] in favour [redacted] the [redacted] taking [redacted] people [redacted] greater commitment [redacted] the current court [redacted] keeping prices down.

There are two broad [redacted] the [redacted] could evolve. It could [redacted] "joint arbiter", sharing decision-making [redacted] the governor, or as "cheerleader", leaving [redacted] judg[redacted] to him but helping [redacted] sell [redacted] shielding the [redacted] policy [redacted] by [redacted]

[redacted] cheerleading approach would [redacted] the [redacted] ambitious option, [redacted] the [redacted] would [redacted] play [redacted] public [redacted] court member [redacted] it [redacted] already [redacted] a more pragmatic line: "We are getting ready to [redacted] up and be [redacted] behind [redacted] governor, should [redacted] support [redacted]"

[redacted] "joint arbiter" model [redacted] to [redacted] gaining [redacted] support of more [redacted] who [redacted] independence, partly [redacted] sharing out decision-making would make policy judgments [redacted] transparent. Mr John Watts, chairman of the Commons treasury and [redacted] service committee, [redacted] "Swapping the judgment [redacted] the chancellor of the exchequer for that [redacted] the governor, no matter how [redacted] he is, [redacted] not an [redacted] option."

[redacted] for ensuring accountability would be [redacted] court members in [redacted] independent Bank to testify [redacted] months to [redacted] parliamentary committee.

[redacted] make the point [redacted] bringing [redacted] people into [redacted] arguments [redacted] interest [redacted] would mean more appropriate [redacted] being [redacted] in the complex [redacted] setting monetary policy.

Such an approach would put [redacted] Bank on [redacted] similar footing to the US [redacted] Reserve, [redacted] and [redacted] newly independent Bank [redacted] France – which all [redacted] decision-making [redacted] full-time [redacted] and [redacted]

Mr John Banham, a former director-general [redacted] Industry [redacted] chairman [redacted] the [redacted], says the governing body [redacted] an independent Bank should be analogous to the corporate [redacted] directors, which have responsibility for overseeing long-term strategy.

As [redacted] who Britain might pick for a revitalised court, [redacted] newly independent Bank of France might show the way. This month it [redacted] the nine-strong body that will [redacted] monetary policy. It comprises three full-time Bank officials, two industrialists, a former government minister, [redacted] journalist, a [redacted] and an economist. Mr [redacted] Lightfoot, a former Treasury adviser, even suggests that, in the cause of attracting "serious players", the [redacted] could be opened [redacted] foreigners [redacted] as Mr Helmut Schlesinger and Mr Paul Volcker, former heads [redacted] the Bundesbank and Federal [redacted] respectively.

Such an approach might go [redacted] to assuaging [redacted] of [redacted] sceptical [redacted] moving towards Bank independence. It would [redacted] a means [redacted] removing political inter[redacted] ensuring the [redacted] of decision-making [redacted] transparent, spread [redacted] a relatively large [redacted] people and appropriate [redacted] the UK [redacted]

OBSERVER

Monastic numerology

■ [redacted] would Luca Pacioli, the Venetian monk [redacted] with inventing double-entry bookkeeping, think [redacted] unseemly [redacted] brewing in his name?

[redacted] the [redacted] anniversary of [redacted] publication [redacted] his [redacted] word [redacted] subject, *Summa [redacted] Arithmetica, Geometrica, Proportioni [redacted] Proportionalita*. Pacioli's countrymen may have [redacted] yawning but [redacted] accountancy world is [redacted] ferment.

A couple of US academics [redacted] mark the occasion, but they have [redacted] trumped already by the elderly Institute [redacted] Chartered Accountants of Scotland which [redacted] planning [redacted] "Festival of Accounting".

[redacted] outdone, [redacted] Institute [redacted] Chartered [redacted] England [redacted] Wales is [redacted] entering [redacted] with "Figures [redacted] proportion," an exhibition of its own original [redacted] of Pacioli's ancient masterpiece. With all the excitement about double-entry accounting, [redacted] only unknown [redacted] whether the organisers can count [redacted] double-digit attendance.

Food for thought

■ The Michelin guide [redacted] hotels [redacted] in Great Britain and Ireland, 21 years old yesterday, remains as snooty as ever, despite advancing [redacted] Only a couple of establishments [redacted] felt worthy [redacted] three stars, even though [redacted] number of one stars has now topped [redacted] for the first time.

Sadly, the passing [redacted] have also precipitated a degree of memory lapse. Journalists set out for [redacted] award ceremony at new one-star holder Leith's, [redacted] Kensington Road, [redacted] invitation, only [redacted] find themselves lost.

Forgivable, seeing that the collators of the 5,700 [redacted] omitted the all-important "Park" nestling between [redacted] Kensington and the Road.

Digging for gold

■ Britain's Department of Transport seems oblivious to all [redacted] talk in [redacted] about looking after taxpayers' money [redacted] maintaining [redacted] tighter grip on [redacted] government's finances.

When Labour MP John Spellar asked about the cost to the taxpayer of the government's [redacted] to extend Eurotunnel's concession by 10 years, he got [redacted] dusty answer. Transport secretary John MacGregor [redacted] could [redacted] estimate [redacted] "with any precision".

[redacted] clearly thought [redacted] extension represented serious money [redacted] and [redacted] likely to quantify [redacted] in its forthcoming rights issue prospectus. In the meantime, Warburg Securities, Eurotunnel's broker, [redacted] publicly

estimated [redacted] the extension [redacted] around [redacted] value [redacted] project.

[redacted] why [redacted] taxpayer shouldn't [redacted]

Simply Simpkin

■ "So, [redacted] you're getting [redacted] hang [redacted] derivatives business, Simpkin?" [redacted] bailiffs enquire with ill-concealed glee [redacted] they [redacted] into [redacted] Simpkin's [redacted] into [redacted]

Roger [redacted] cartoon in Wednesday's FT, illustrating [redacted] article [redacted] damnably tricky [redacted] instruments [redacted] derivatives, did not [redacted] of [redacted] Guy Simpkin, head [redacted] quantitative research [redacted] BZW [redacted] Management.

Luckily he [redacted] have [redacted] sense [redacted] humour.

Papal bull

■ A [redacted] reader enquires [redacted] central bank will henceforth [redacted] signalling [redacted] change in [redacted] interest [redacted] with puffs [redacted] coloured smoke. His question [redacted] prompted only indirectly by [redacted] Bundesbank president's perceived proximity to God.

The staunchly Catholic [redacted] Tietmeyer, a former [redacted] boy who [redacted] thought of becoming a priest, has been chosen as one of 40 members [redacted] a new interdenominational Academy of [redacted] up by [redacted] Pope. The new [redacted] of learning [redacted] an offshoot of [redacted] eminent [redacted] obscure [redacted] Academy [redacted] and, like the latter, will [redacted] in [redacted] 18th century summer palace in the Vatican gardens. The [redacted] global problems with [redacted] church's sociological teachings.

Should [redacted] studying the minutiae [redacted]

Sweet [redacted]

■ There is little more than a fortnight to go [redacted] Winter Olympics in Lillehammer, Norway, [redacted] one band [redacted] merrymakers familiar from the Albertville [redacted] will sadly not [redacted] there.

The men – and women – from [redacted] have failed [redacted] reach satisfactory [redacted] with [redacted] International Olympic Committee [redacted] continue [redacted] sponsorship of the Olympics. [redacted] stumped up about [redacted] a main sponsor [redacted] Albertville and Barcelona [redacted] starting price for major sponsors – such [redacted] Coca-Cola – which have stayed [redacted] for Lillehammer 1994 and Atlanta [redacted]

The [redacted] split with Mars was "amicable". [redacted] voce – [redacted] IOC, uneasily riding the [redacted] unrelated [redacted] commercialism and athleticism, was not overjoyed with [redacted] repeat [redacted] – hordes of [redacted] employees swamping [redacted] Olympic village handing out sweeties [redacted] everything [redacted]

[redacted] thought [redacted] Coke should try [redacted] same when the Olympics hits [redacted] home [redacted] of Atlanta [redacted]

Deep breath

■ [redacted] about synergy. Japan Tobacco [redacted] pharmaceuticals and plans [redacted] launch [redacted] drug [redacted] relieves [redacted] experienced by patients [redacted] with chemotherapy for cancer; a case [redacted] beating [redacted] joining them, perhaps.

FINANCIAL TIMES
Thursday January 27 1994

Three companies agree venture to fend off competition

Brussels gives approval for steelmakers' merger

By Andrew Hill in Brussels

French, German and Italian [illegible] tube companies yesterday won approval to merge, creating a bul[illegible] against Scandinavian, Japa[illegible] and [illegible] European competition after the European Commission overturned [illegible] internal recommendation that the deal should [illegible] blocked.

After weeks [illegible] lobbying by [illegible] *companies and their trade* unions, the 17 European commissioners [illegible] split eight against eight on [illegible] *issue* as [illegible] Jacques Delors, Commission president, [illegible] This made it impossible for Mr Karel Van Miert, [illegible] petition commissioner, [illegible] obtain majority approval for his proposal [illegible] outlaw the [illegible]

Vallourec, [illegible] French [illegible] tubing [illegible], Dalmine, [illegible] subsidiary of Ilva, the Italian [illegible] producer, and Mannesmann of *Germany*, [illegible] *joint* venture called DMV, and [illegible] capacity in high-technology seamless stainless [illegible] tubes, which [illegible] used in the nuclear and chemical industries.

But the Commission's merger task force had said the [illegible] should [illegible] blocked because it risked creating an anti-competitive duopoly in the European Union market. Together with Sandvik, the [illegible] engineer*ing group, DMV will* [illegible] *nearly* [illegible] cent of [illegible] EU market, with [illegible] of the remainder shared by Tubacex of Spain, Schoeller Bleckmann of Austria and Sumitomo of Japan.

Mr Jean-Claude Cabre, chief operating officer at Vallourec, welcomed the Commission's decision – [illegible] will [illegible] confirmed formally [illegible] the end [illegible] the *week – and* [illegible] "Now [illegible] will have a level of competitiveness which will permit us not only to *compete with Sandvik, but with* Sumitomo, the eastern bloc and [illegible] Russia."

It is the first time since Mr Van Miert took over as competition commissioner in January [illegible] that [illegible] of his proposals [illegible] in the Commission. The [illegible] is a setback for the merger [illegible] force, which had hoped [illegible] establish a [illegible] prece[illegible] for [illegible] treatment of duopo[illegible] with no structural links.

The three companies [illegible] unable [illegible] make [illegible] establishment [illegible] DMV during the inquiry, [illegible] production cuts the joint venture will have [illegible] turnover of about FFr1bn [illegible] year, and employ 1,000 people.

[illegible] Commission has only [illegible] blocked [illegible] deal under [illegible] EU's 1990 merger regulation: the Franco-Italian purchase [illegible] Havilland, [illegible] ufacturer.

[illegible] *first* [illegible] Page [illegible]

EC calls on France to freeze Groupe Bull capital injection

By Andrew Hill in Brussels and John Ridding in Paris

The European [illegible] called [illegible] French government yesterday [illegible] suspend a FFr2.5bn ($420m) capital injection for Groupe Bull, the loss-making computer group, or face action in the European Court of Justice.

The French government and Bull's *management expressed* their determination to restruc[illegible] and privatise the group. Bull *said that* [illegible] *rationalisation plan* [illegible] being finalised and would [illegible] presented to [illegible] Commission.

[illegible] the French government has received [illegible] of [illegible] Commission's demand, it [illegible] 30 days to present [illegible] plan.

The Commission's inquiry was triggered by [illegible] payment of [illegible] in February [illegible] by [illegible] previous [illegible] government. [illegible] yesterday *extended the inquiry* [illegible] *include* pledges of capital totalling FFr8.6bn from the government [illegible] *France Telecom*, [illegible] *state*-owned telecommunications group, made [illegible] the end of last year. [illegible] final FFr2.5bn tranche of that capital injection which the Commission wants suspended.

[illegible] Commission said informa[illegible] *received* [illegible] *December from* [illegible] French government, following [illegible] announcement of [illegible] capital increase, was "composed of [illegible] series of declarations [illegible] intent and of goals which do not constitute [illegible] restructuring plan".

French [illegible] Bull [illegible] time [illegible] capital injections [illegible] restructure. "My feeling is that [illegible] blocking of [illegible] FFr2.5bn would prevent [illegible] at [illegible] and I [illegible] the same [illegible] as obtained by [illegible] tahl [illegible] Germany [illegible] *steel industry*," said [illegible] Gérard Longuet, industry minister, in [illegible] interview with [illegible] Tribune Des*fosses*, [illegible] *French business daily*. He was referring [illegible] deals agreed by EU industry ministers to solve disputes [illegible] subsidies for state-owned steel companies.

"Bull is [illegible] a liner, [illegible] a bicycle and therefore the negotiation of bends [illegible] longer than [illegible] *would hope*," said Mr Longuet. Bull said [illegible] its recovery plan is already bringing improve*ment and sales are stabilising.*

Separately, the Commission [illegible] opened an investigation into subsidies granted by the city-[illegible] of [illegible] in Germany to [illegible] mill.

[illegible] Commission [illegible] DM250m ($143m) cash injection to [illegible] *company* [illegible] *come from pub*[illegible] funds, [illegible] holding companies are part of [illegible] consortium planning [illegible] buy [illegible] mill.

Hosokawa to fight on even if reforms are blocked

[illegible] William Dawkins in Tokyo

Japan's prime minister, Mr Morihiro Hosokawa, plans to fight on, [illegible] if parliament fails [illegible] his political and electoral reform proposals by Saturday, the end [illegible] the present session.

[illegible] Hosokawa yesterday denied *earlier reports* [illegible] *one of his* top advisers [illegible] would resign or disband the cabinet if the *plans* remained blocked by then. "There's [illegible] chance of that," [illegible] was reported [illegible] saying.

His remarks [illegible] the confusion over the ruling coalition's [illegible] after Friday's surprise parliamentary vote against the four reform bills on which [illegible] Hosokawa [illegible] his future.

The bills propose tough controls [illegible] political funding [illegible] of multi-seat electoral districts – blamed for encouraging politicians [illegible] pete for [illegible] on their ability to shower voters with cash and favours. Many members [illegible] parlia[illegible] fear they would [illegible] their [illegible] a result, but public support for reform [illegible] strong.

[illegible] Hosokawa [illegible] planning [illegible] make a television appeal for pub*lic backing yesterday*, but apparently changed his mind [illegible] ground that that might jeopard*ise* [illegible] *final attempt* to reach [illegible] accord with [illegible] opposition Liberal Democratic party.

In [illegible] sign of encouragement for Mr Hosokawa, Mr Masaharu Gotoda, [illegible] leading member of [illegible] 70-strong group of pro-reform LDP members of parliament, said [illegible] would [illegible] government's bill [illegible] it [illegible] a forced final vote.

However, [illegible] of [illegible] LDP seemed as unclear about [illegible] step as the coalition. The LDP set [illegible] conditions for a compromise deal with Mr Hosokawa, but [illegible] confusingly [illegible] a parliamentary panel, set up to [illegible] the possi[illegible] compromise, it was not prepared for a debate. The panel session [illegible] five minutes.

The LDP's [illegible] compromise plan calls [illegible] an [illegible] in [illegible] number of single-seat constituencies proposed by [illegible] government from [illegible] to [illegible] through *proportional representation* [illegible] coalition's [illegible] to [illegible].

That is an increase on [illegible] LDP's previous demand last month for a [illegible] constituency system – and can be taken as [illegible] hardening of its position.

Proportional [illegible] would come *from 11 districts, rather than* [illegible] government's proposed single national constituency. The proposed ban [illegible] corporate [illegible] to individual politicians would [illegible] lifted.

The seven-party coalition, however, cannot afford [illegible] accept [illegible] LDP's latest plan because [illegible] Social Democratic party, on which it depends for [illegible] majority, [illegible] *unshakeably committed* [illegible] a ban on corporate donations [illegible] individuals.

THE LEX COLUMN

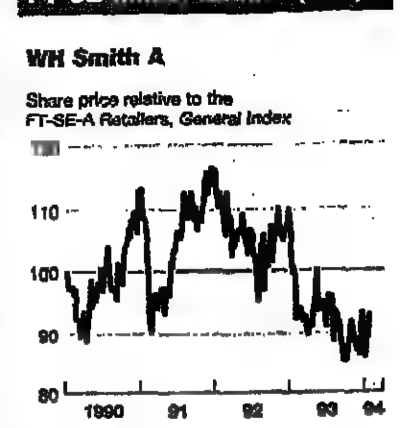
Live now, pay later

The gilts [illegible] was inclined [illegible] shrug off the disappointing result of yesterday's gilt auction. In the short run [illegible] may have reasons for doing so. Over[illegible] investors have little interest in stocks with [illegible] maturity as long [illegible] 15 years, so [illegible] auction depended more than usual on [illegible] investors. The *run-up in* [illegible] *market since the initial* auction announcement and the uncertain [illegible] of international bond [illegible] may have [illegible] them [illegible] selective about the timing and price of their purchases. That [illegible] add [illegible] to a basic shift in direction, but it does [illegible] piquancy to the question of [illegible] *government's apparently* [illegible] attitude [illegible] public [illegible].

Even on this score, gilt bulls can [illegible] *reasons* [illegible] *worry*. [illegible] price pressures so depressed [illegible] little risk of [illegible] review body awards rekindling general inflation. [illegible] government may manage [illegible] finance the awards with productivity improvements. [illegible] it [illegible] not, the impact on [illegible] should be small, and nothing [illegible] worry about when it [illegible] well ahead with funding.

The danger [illegible] slightly longer term. A year ago the political pres[illegible] on the government [illegible] to [illegible] interest rates in the face of a weak economy. Now *it is focused* [illegible] fiscal [illegible] have become [illegible] of [illegible] impact [illegible] lower [illegible] and [illegible] unpopularity [illegible] higher taxes. The government [illegible] pretty well locked in [illegible] its programme of [illegible] increases but there [illegible] always [illegible] for slippage on spending. [illegible] it [illegible] ful, [illegible] policy could turn [illegible] looser and interest [illegible] higher than [illegible] City [illegible] assumes. [illegible] gilts *nor equities could view that prospect* with relish.

FT-SE [illegible] (-7.9)



Source: FT Graphite

W H Smith

W H Smith's rather glum results neatly underlined [illegible] tough trading [illegible] in [illegible] high street. While [illegible] *company* [illegible] *on* [illegible] margin and reported [illegible] accelerating [illegible] trend towards Christmas, raising turnover [illegible] clearly [illegible] a tough job. That [illegible] unfortunate, since pressure on margins is likely [illegible] in [illegible] of Smith's businesses. Thus far News International [illegible] borne [illegible] full weight [illegible] price reductions. If [illegible] lower prices [illegible] permanent, there must be a strong temptation [illegible] *share* [illegible] *pain* [illegible] and retailers. Lower CD prices – ironically something [illegible] which [illegible] has [illegible] arguing – [illegible] be on [illegible] way. [illegible] [illegible] substantially as [illegible] result, Smith's [illegible] will decline. If [illegible] Agreement eventually goes, it may well cut margins at the popular end [illegible] market.

All [illegible] that will [illegible] Smith's management skills, particularly [illegible] in the past [illegible] has [illegible] good fortune to operate [illegible] markets, such [illegible] books [illegible] newspapers, with [illegible] average inflation. Lower margin busi*nesses and tough competition* [illegible] slips [illegible] easily forgiven. [illegible] will [illegible] interesting [illegible] whether [illegible] company [illegible] cut [illegible] base [illegible] adjust [illegible] that world. [illegible] well [illegible] improvements behind [illegible] mean rolling [illegible] good [illegible] Virgin Megastores faster. [illegible] if [illegible] enough to keep the new chief executive, [illegible] Malcolm Field, occupied, [illegible] always [illegible] only partly de-fused land mine *which is Do It All.*

Small companies

After four [illegible] in the doldrums, small [illegible] shares finally delivered in [illegible] by the [illegible] Govett Smaller Companies Index, [illegible] *total* [illegible] *of 44* per [illegible] year, outperforming [illegible] by [illegible] largest margin since *1978*. [illegible] composition [illegible] *index is a* partial explanation; interest rate-sensitive [illegible] such property companies are [illegible] in the lower [illegible] the market, while unfashionable consumer goods companies are scarce. [illegible] itself appears to be just [illegible] important as [illegible]. The bottom [illegible] *of the index measured by market capi*[illegible] a [illegible] per cent.

If recovery [illegible] on [illegible] there could be more to come. Manufacturing and capital goods companies *stand* to benefit most as the UK economy turns, [illegible] heavily represented among smaller capitalised stocks. The recent outperformance of [illegible] *FT-SE Mid 250 index, which is also* weighted in the direction of manufacturers, [illegible] that [illegible] much. As with the very [illegible] companies, though, much now depends on whether companies can deliver [illegible] earnings and dividend growth implied by high ratings.

There are also risks along the way. While [illegible] number [illegible] bankruptcies [illegible] companies fell sharply in 1993, the experience of the 1980s [illegible] that trend might be expected to reverse [illegible] year [illegible] over-reach going into recovery.

Hanson

The tantalising [illegible] Beazer Homes offered by [illegible] yesterday will lay [illegible] few ghosts to rest. Beazer's land bank will [illegible] more than three [illegible] at the current [illegible] of house sales, which should allay [illegible] that the [illegible] been [illegible] for [illegible] under Hanson's stewardship. If land was run down through reces*sion*, [illegible] acquisitions have been [illegible] to replenish [illegible]. Important [illegible] such [illegible] cost [illegible] *plot* [illegible] *the publica*[illegible] a full prospectus. But the [illegible] asset write-down taken in 1992 shows that measures have been taken to protect profit margins.

Since operating margins are already [illegible] respectable [illegible] per cent, though, Beazer cannot boast the [illegible] recovery *prospects* [illegible] *of* [illegible] *peers*. [illegible] house price inflation returns in [illegible] nest, profits growth will have to rely on rising unit sales. That argues for a [illegible] rating than [illegible] builders now operating on wafer-thin margins. The [illegible] price will [illegible] depend [illegible] balance sheet. Since house [illegible] generally absorb [illegible] going [illegible] the upturn – as profits [illegible] back into land – too much [illegible] *raise fears of* [illegible] *rights issue* [illegible] down the line.

[illegible] the prospectus contains no such nasty shocks, and [illegible] multiple of [illegible] times this year's likely earnings, [illegible] still raise more than £400m [illegible] the sale. The outperformance of other house build*ers this month suggests investors are* anything but tired of the sector. With April's tax rises looming, there could be a danger in waiting too long.

Patriots

Continued from Page 1

attack this year or next.

Mr Rhee Byoung-tae, the [illegible] minister, said North Korea completed preparations for [illegible] year and has proclaimed [illegible] as the year [illegible] unification [illegible] country.

If the nuclear [illegible] remains unresolved or [illegible] North Korean government [illegible] by internal [illegible] food [illegible] shortages, Pyongyang might attack, he added.

The deployment [illegible] the [illegible] missiles, which [illegible] used against Iraqi Scud missiles during [illegible] 1991 [illegible], *might* begin if no progress [illegible] made soon on nuclear inspections.

German power supply plan

[illegible] 1

open [illegible] cross-border supplies once neighbouring [illegible] tries did [illegible] same, he said.

The first opening in [illegible] German market for foreign competitors came *last year*, when an Anglo-US consortium, including Morrison-Knudsen [illegible] the US and *Britain's PowerGen*, bought the Mibrag brown coal field in [illegible] Germany, and with [illegible] in the [illegible] German electricity grid. The latest [illegible] would open up the whole German market to similar ventures, in [illegible] well as electricity.

Initial reaction [illegible] *utili*[illegible] hostile. "Of [illegible] do [illegible] like it," an [illegible] spokesman said. The German [illegible] suppliers [illegible] they [illegible] guarantee supplies [illegible] uneconomic, outlying [illegible] of their grids if they [illegible] not control an effective monopoly. They [illegible] say [illegible] they would face unfair competition if foreign *suppliers entered the market* because German utilities [illegible] required [illegible] help subsidise the domestic coal industry.

German electricity costs industrial [illegible] about six pfennigs (3.4 [illegible] cents) a kilowatt hour more than comparable supplies in France, which relies [illegible] on nuclear [illegible]

There are [illegible] than [illegible] elec*tricity utilities, although the* three largest control the grid, [illegible] all [illegible] it.

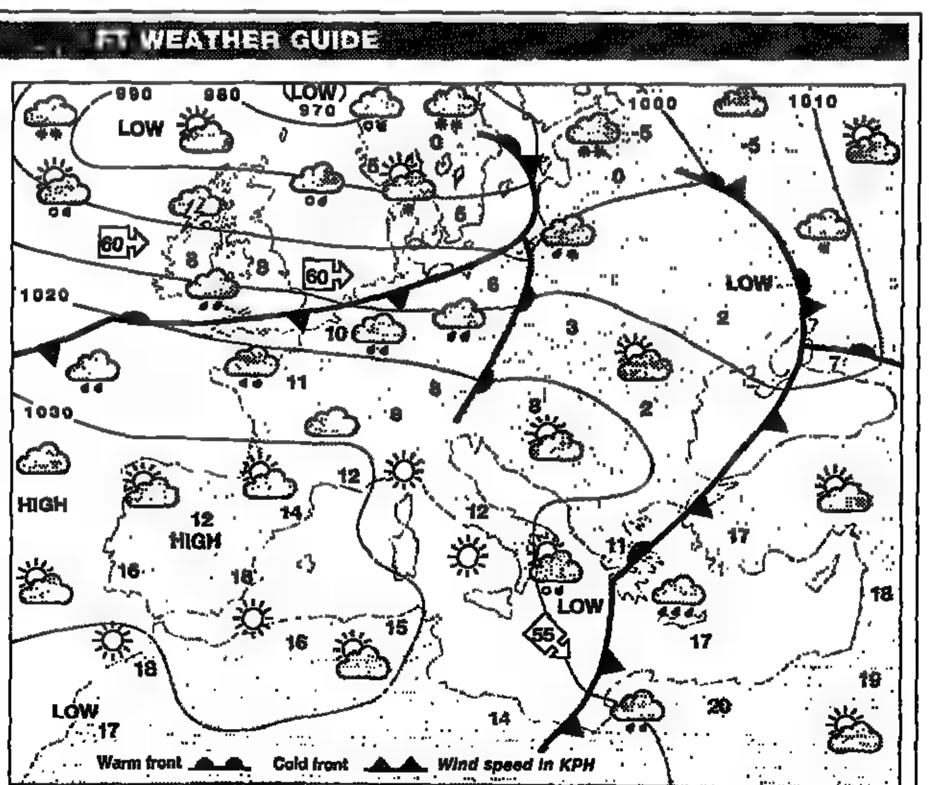
FT WEATHER GUIDE

Europe today

A wavering frontal [illegible] Benelux and northern France will give [illegible] a [illegible] rain, especially in Belgium. Westerly [illegible] will reach gale force over the North Sea and the Channel. Ireland and [illegible] will have frequent showers and gusty [illegible] High [illegible] will produce [illegible] in [illegible] France, Spain and Portugal [illegible] along Spanish [illegible] The Alps [illegible] cloudy except in southern parts. [illegible] will mean rain or showers in Greece, the former *Yugoslavia, Bulgaria* [illegible] *Turkey*. Only [illegible] will [illegible] wintry, [illegible] snow [illegible] temperatures [illegible] freezing.

Five-day forecast

A westerly air flow will continue [illegible] and [illegible] Europe, producing periods of [illegible] strong westerly [illegible]. South-east Europe will remain [illegible]. Strengthening high pressure [illegible] the [illegible] in [illegible] will mean [illegible] *higher* temperatures during [illegible] weekend in south-west [illegible] later [illegible] Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	[illegible]		[illegible]	hail	6	Cardiff	shower	11	Frankfurt	rain	[illegible]	Malta	sun	13	Rio	fair	28
	[illegible]		[illegible]	cloudy	6	Chicago	sleet	-3	Geneva	cloudy	5	[illegible]	cloudy	9	Riyadh	sun	21
Abu Dhabi	sun	22	[illegible]	drzzl	8	Cologne	rain	9	Gibraltar	sun	17	Manila	cloudy	30	Rome	fair	14
Accra	fair	32	[illegible]	fair	22	D' Salaam	fair	30	Glasgow	thund	[illegible]	[illegible]	fair	30	S. Frsco	fair	12
Algiers	sun	15	Bogota	cloudy	22	Dakar	fair	21	Hamburg	[illegible]	[illegible]	[illegible] City	cloudy	21	Seoul	fair	1
Amsterdam	rain	10	Bombay	sun	35	Dallas	cloudy	13	Helsinki	snow	-4	Miami	fair	27	Singapore	cloudy	30
Athens	rain	14	Brussels	rain	10	Delhi	fair	22	Hong Kong	fair	21	Milan	sun	8	Stockholm	sleet	0
B. Aires	[illegible]	23	Budapest	cloudy	8	Dubai	sun	22	Honolulu	[illegible]	26	Montreal	snow	-10	Strasbourg	rain	12
B.ham	rain	11	C.hagen	rain	6	Dublin	cloudy	8	Istanbul	rain	[illegible]	[illegible]	snow	-4	Sydney	fair	24
Bangkok	[illegible]	33	Cairo	fair	19	Dubrovnik	cloudy	12	Jersey	rain	[illegible]	Munich	cloudy	9	Tangier	sun	18
Barcelona	fair	14	Cape Town	sun	26	Edinburgh	shower	7	Karachi	sun	30	Nairobi	fair	28	Tel Aviv	sun	17
Beijing	fair	0	Caracas	cloudy	25	Faro	sun	18	Kuwait	fair	20	Naples	fair	12	Tokyo	fair	6
									L. [illegible]	fair	16	Nassau	fair	26	Toronto	snow	-6
									Las Palmas	fair	19	New York	snow	-4	Tunis	fair	15
									Lima	cloudy	26	Nice	fair	14	Vancouver	fair	7
									Lisbon	sun	16	Nicosia	fair	16	Venice	fair	8
									London	rain	12	Oslo	cloudy	-2	Vienna	cloudy	10
									Lux.bourg	rain	6	Paris	rain	11	Warsaw	rain	3
									Lyon	cloudy	5	Perth	fair	35	Washington	sleet	3
									Madeira	shower	17	Prague	rain	7	Wellington	fair	18
									Madrid	sun	12	Rangoon	sun	31	Winnipeg	fair	-11
									Majorca	sun	17	Reykjavik	snow	-8	Zurich	cloudy	8

مكتبة الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED [illegible] Thursday January 27 1994

IN BRIEF

DuPont rises in final quarter

Cost-cutting helped DuPont raise [illegible] profits in the final quarter of last year. After-tax operating earnings [illegible] by a quarter for the year as a whole, [illegible] $1.7bn. The company highlighted improvements in its petroleum business, where cost-cutting on the upstream side and higher margins [illegible] refining and marketing pushed operating income up to $163m from $94m the year before. Page [illegible]

Changes likely from Trafalgar auction
Swiss Bank Corporation and Robert Fleming, the investment banking groups, are likely [illegible] initiate a significant change in London stock market practices later [illegible] week by holding an auction [illegible] the rump of Trafalgar House's [illegible] rights issue.

Hanson reveals Beazer figures
Hanson has revealed [illegible] Beazer Homes, [illegible] is the fourth-largest home build [illegible] UK, made an operating profit of £37.5m in the year [illegible] September 30 on sales of £276m. Hansom, which [illegible] previously kept financial information about the [illegible]y under wraps, aims [illegible] Beazer by the end [illegible] March. Page 20

W.H. Smith earnings [illegible] 11.2%
W.H. Smith, the retail and distribution group, yesterday announced [illegible] 11.2 per cent [illegible] in [illegible] pre-tax profits, but [illegible] was [illegible] about [illegible] spending. Page [illegible]

[illegible] package boosts Moulinex stock
Moulinex, the troubled French household electricals [illegible] yesterday [illegible] shares rise sharply on the [illegible] stock market after announcing [illegible] it had agreed draft proposals for a financial [illegible] package. The company's [illegible] closed [illegible] better [illegible] FFr128. Page 21

Scott Paper to cut workforce by 25%
[illegible] Paper, the Philadelphia-based manufacturer of personal care paper products and printing [illegible] to reduce its worldwide workforce by [illegible] cent [illegible] in an effort [illegible] cut costs. The company intends [illegible] down [illegible] of its older tissue manufacturing plants in the [illegible] Europe. Page 22

Doubts over Vancouver exchange reforms
A commission of inquiry has urged sweeping regulatory reforms to improve the image of the scandal-plagued Vancouver stock exchange. [illegible] several key participants, including the VSE itself, [illegible] expressed doubts whether [illegible] proposals, [illegible] include new supervisory bodies, will achieve their [illegible] goals. Page 22

Competition hits Wm [illegible] sales
Wm [illegible] growing price competition [illegible] pushed its like-for-like [illegible] margins down. The Dundee-based grocery chain is [illegible] *cutting* [illegible] *jobs*. Shares in dropped 17p to 174p yesterday as a result of the announcements. Page 24

[illegible] futures 'irregularities'
The world's biggest [illegible] producer, Codelco, has launched an investigation into "[illegible] irregularities" in futures trading [illegible] could result in losses of up to $100m (£66.60m). [illegible] executives have resigned following yesterday's revelations that authorised limits for futures trading [illegible] exceeded by several times. [illegible] 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS** [illegible]			
Rises				**Rises**			
Lufthansa	[illegible]	+	15	Bancaire Cie	[illegible]	+	21
Springer [illegible]	[illegible]	+	12	Ecco	[illegible]	+	15
Falls				Moulinex	[illegible]	+	9
[illegible] Benz	[illegible]	-	[illegible]	[illegible]	835	+	13
[illegible]	801	-	[illegible]	**Falls**			
Mercedes	779.5	-	[illegible]	[illegible]	590	-	10
Schering	1070	-	16	[illegible]	737	-	10
NEW YORK ($)				**TOKYO (Yen)**			
[illegible]				**Rises**			
Bethlehem Steel	22½	+	1	Daiwa Secs	1490	+	40
Citicorp	40½	+	1¼	NEC	980	+	21
Lotus Dev	54½	+	1⅝	Nikko Secs	1230	+	40
Falls				Nomura Secs	2090	+	50
Compaq	81½	-	1⅝	Pioneer Elec	2920	+	80
IBM	[illegible]	-	1½	Sony	5370	+	100
Intel	[illegible]	-	1¼				

New York prices at 12.30.

LONDON (Pence)				[illegible]	[illegible]	+	5½
Rises				**Falls**			
Brook	370	+	15	Beauford	2¾	-	1½
Bakeryh	195	+	14	[illegible] Birch	180	-	25
Campari Intl	69	+	4	Densitron	35	-	5
Chiltern Radio	138	+	14	[illegible]	375	-	15
Coal [illegible]	55	+	4½	Greggs	470	-	13
[illegible] Pratt	570	+	32	Hogg Group	[illegible]	-	22
[illegible] & [illegible]	424	+	15	Low (Wm)	174	-	17
Kaynes [illegible]	[illegible]	+	22	Park Food	707	-	[illegible]
Inspec	279	+	11	[illegible] Parkes	[illegible]	-	12
[illegible]	563	+	13	Unigate	[illegible]	-	[illegible]
Reuters	43½	+	9½				
Shandwick	43½	+	[illegible]				
Lonrho	312	+	16				

Metallgesellschaft's US inquest

By [illegible] Waller in Frankfurt

Fresh evidence [illegible] emerged [illegible] the Metallgesellschaft supervisory [illegible] was [illegible] the activities of [illegible] group's US subsidiaries [illegible] problems [illegible] its [illegible] York trading arm drove the [illegible] to the brink [illegible] collapse.

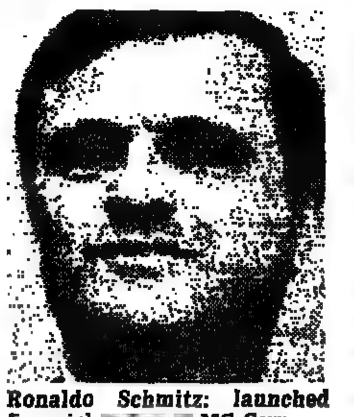
Mr [illegible] Schmitz, chairman [illegible] the Metallgesellschaft supervisory board, is [illegible] have appointed KPMG Deutsche Treuhand, chief auditors [illegible] the Metallgesellschaft [illegible] to [illegible] out a review [illegible] financial systems and accounting policies [illegible] MG Corp, the [illegible] trading [illegible] and [illegible] subsidiaries normally audited by another accounting firm.

The appointment was made in the first week [illegible] and [illegible] in addition [illegible] the normal audit [illegible] Metallgesellschaft's US operations conducted by Arthur Andersen for the year [illegible] September 30.

The disclosure will [illegible] fuel [illegible] the debate taking place in Germany about how to apportion blame for [illegible] debacle afflicting Germany's fourteenth largest company.

Although Mr [illegible] Schimmelbusch, the group's former chief executive [illegible] sacked on December 17 [illegible] the [illegible] triggered by MG Corp became apparent, it [illegible] clear [illegible] supervisory board [illegible] exempt from all responsibility.

The [illegible] review suggests [illegible] the supervisory [illegible] possible [illegible] internal controls at [illegible] US subsidiaries – but [illegible] worried that [illegible]



Ronaldo Schmitz: launched financial [illegible] MG Corp

treated [illegible] with great urgency.

[illegible] Mr [illegible] nor KPMG [illegible] prepared [illegible] yesterday but it is understood that the accounting firm did [illegible] deliver the [illegible] of its inquiry until mid-December, after the [illegible] MG Corp's [illegible] had started [illegible]

This [illegible] after [illegible] supervisory board had [illegible] Mr Schimmelbusch's contract as chief executive [illegible]

This [illegible] place [illegible] November 19. Had Mr Schmitz's [illegible] about MG Corp [illegible] more pressing, he could have opposed Mr Schimmelbusch's reappointment.

Mr [illegible] Lepper, chairman of [illegible] works' council at Metallgesellschaft [illegible] and a member of the group's supervisory board, [illegible] yesterday that [illegible] Schimmelbusch [illegible] reappointed [illegible] that [illegible] making [illegible] convincing presentation [illegible] group's future without [illegible] of difficulties [illegible] in [illegible]

The supervisory board asked Mr Schimmelbusch whether there were [illegible] problems. Mr Schimmelbusch [illegible] there [illegible] none, Mr Lepper added.

Earlier this month Metallgesellschaft [illegible] obliged to [illegible] its actual and potential [illegible] DM3.3bn (£1.25bn) – nearly [illegible] the level of [illegible] first reported for [illegible] financial [illegible] – and bankers [illegible] the company by agreeing [illegible] a DM3.4bn bail-out package. The [illegible] largely [illegible] speculative derivatives trading carried [illegible] by MG Corp.

Arthur Andersen [illegible] yesterday [illegible] it remained auditor [illegible] MG Corp.

MG's tangled [illegible] with [illegible] Energy Corp, [illegible]

Philip Morris profits dive 72%

By Richard Tomkins in New York

Last year's cut in the price [illegible] Marlboro cigarettes and a heavy restructuring charge combined to produce a 72 per cent slump in [illegible] profits [illegible] for Philip Morris, the [illegible] cigarette, food and [illegible] in the fourth quarter.

But [illegible] company [illegible] its cigarette pricing strategy [illegible] working [illegible] Marlboro had regained [illegible] share, showing that consumers [illegible] still prepared [illegible] make decisions [illegible] brand preference rather [illegible] price alone.

Group operating profits fell by 28 [illegible] $1.95bn in the quarter because the downturn [illegible] by lower [illegible] cigarette prices outweighed [illegible] 13 per [illegible] increase in operating profits from [illegible] group's business.

The company [illegible] took a $457m charge against net earnings [illegible] restructuring [illegible] in November. The restructuring involves [illegible] loss [illegible] 14,000 jobs [illegible] the closure [illegible] scaling [illegible] of 40 plants.

Earnings per [illegible] fell from [illegible]

Results for [illegible] full [illegible] were broadly in line [illegible] predicted by the company in November. [illegible] per [illegible] ahead [illegible] but [illegible] restructuring charge and [illegible] $477m provisions for accounting changes, [illegible] earnings fell from $4.94bn the previous [illegible]. Earnings per share fell by [illegible] per [illegible] from [illegible] $3.52.

[illegible] outcome for its decision to cut 40 cents off [illegible] price [illegible] other premium cigarette brands last April, Philip [illegible] showed [illegible] had increased its share of [illegible] US market from [illegible] low [illegible] per cent before the [illegible] to 26.6 per cent in [illegible]

Analysts believe Philip Morris [illegible] in [illegible] will allow the [illegible] to start pushing up [illegible] price [illegible] Marlboro now the cigarette price [illegible] seems [illegible] be [illegible]

Mr Michael Miles, chairman and chief executive, [illegible] Philip Morris had emerged [illegible] 1993 stronger and more competitive.

The cigarette pricing strategy had [illegible] its objectives, all other segments [illegible] the [illegible] had shown good profit improvement, [illegible] the restructuring [illegible] to profits growth in [illegible] group's business.

Compaq's 70% rise exceeds forecasts

By [illegible] in San Francisco

Compaq Computer recorded record fourth quarter and year-[illegible] "unprecedented demand" for [illegible] personal computer products. The US company aims [illegible] overtake IBM and Apple Computer [illegible] become [illegible] largest PC manufacturer by [illegible] end of [illegible]

[illegible] income for the quarter jumped [illegible] per [illegible] $151m, [illegible] $1.73 per share, well above [illegible] highest Wall Street predictions. This [illegible] with $89m, [illegible] $1.10 [illegible] the same period [illegible] 1992. Fourth quarter [illegible] surged 55 per [illegible] against $1.4bn.

[illegible] the year, the personal computer manufacturer reported revenues [illegible] $7.2bn, an [illegible] of 75 [illegible] $4.1bn in [illegible]. Net [illegible] more [illegible] to [illegible], or $5.35 per share, [illegible] $2.52.

"We experienced strong demand for desktop, portable and server products in [illegible] traditional markets and dramatic growth of consumer sales through retail outlets," said Mr Eckhard Pfeiffer, Compaq president and [illegible] executive.

Sales in North America grew by [illegible] per [illegible] 1993 to $3.7bn. In developing [illegible] including Japan, Latin America and the [illegible] Rim, [illegible] were up 111 per [illegible] at $800m. European [illegible] grew 61 per cent in local currencies, but [illegible] strengthening [illegible] reduced growth to 44 per cent [illegible] $2.7bn, Mr [illegible]. Worldwide, unit shipments [illegible] 3.1m, an [illegible] of 98 per [illegible] over 1992.

[illegible] week, Compaq [illegible] plans [illegible] expand [illegible] manufacturing facility in Scotland. It is [illegible] increasing its production capacity in Singapore and opening [illegible] new facility [illegible] China.

During 1993, the company also expanded [illegible] adding [illegible] third-party re-sellers [illegible] bring the total [illegible] about 16,000 worldwide. [illegible] company is establishing new [illegible] in Hungary, Poland [illegible] Portugal.

Mr [illegible] Compaq had made significant progress [illegible] its goal of becoming the world's [illegible] supplier [illegible] personal computers, gaining about four percentage points during [illegible] about a 10 per [illegible] market share.

With Apple struggling [illegible] position [illegible] PC market [illegible] IBM gaining [illegible] half [illegible] percentage point in market [illegible] last year, Compaq [illegible] growing [illegible]

Mr Pfeiffer [illegible] that if current [illegible] continued, [illegible] could [illegible] Apple Computer [illegible] IBM [illegible] the number [illegible] PC manufacturer in 1995.

Vanessa Houlder explains a remarkable recovery in the UK property market

Bulls make it an office party

After three years of deep recession, the [illegible] commercial property market is staging a spectacular [illegible] back.

Since the middle of [illegible] year, investors [illegible] the [illegible] frenetic bouts of buying in decades. "This is [illegible] strongest bull market for property [illegible] 1972," according [illegible] Mr Greg [illegible] Hillier Parker, chartered surveyors.

Fierce competition for investment properties, frequently attracting [illegible] many [illegible] bidders, [illegible] driven down yields sharply. Yields – the ratio of income [illegible] value – for the [illegible] sought-after investments, such [illegible] high street shops [illegible] warehouse parks, are [illegible] to [illegible] lows. In central London, agents report [illegible] yields fell by [illegible] points to 8.3 [illegible] greatest [illegible] on record.

Investors are starting to see strong returns from property, [illegible] levels [illegible] lag [illegible] equity market. [illegible] property achieved a [illegible] 18.6 per [illegible] in [illegible], compared with negative [illegible] -2.1 [illegible] in 1992, according [illegible] Ellis, chartered surveyors.

There [illegible] even stirrings of interest [illegible] the development market. "Speculative development [illegible] now viable again in central London, assuming very low land costs," says Mr Geoff Marsh, managing director of Applied Property Research.

[illegible] remarkable turnaround in sentiment does not stem wholly from [illegible] reappraisal of property's intrinsic merits. In many regions of the country, rents [illegible] still falling, vacancy rates remain well above long-term trends and letting boards litter [illegible] centres.

Admittedly, investors are looking [illegible] a recovery in rental growth, which many believe is likely [illegible] the [illegible] of [illegible] year. [illegible] not fully account [illegible] such a pronounced revival [illegible] this [illegible] property cycle.

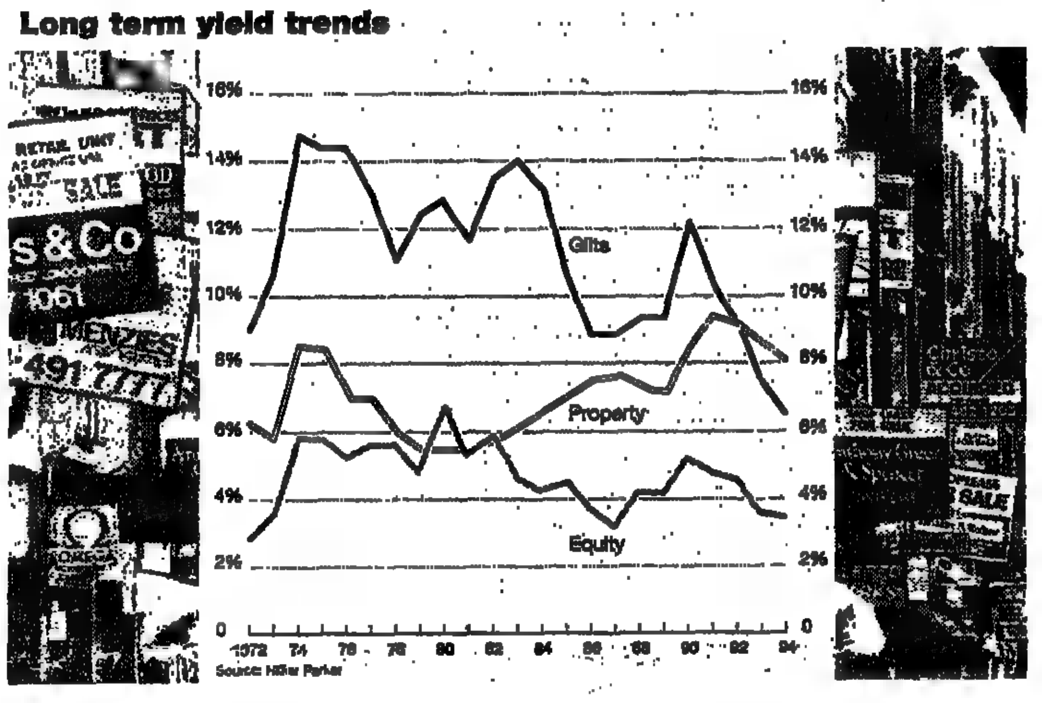
Instead, the [illegible] in [illegible] is mainly attributed to the strength of the government bond market, where long gilt yields fell from [illegible] per [illegible] in [illegible] course of last year.

As equity and bond yields plummeted, [illegible] relatively high yields available on property became increasingly attractive. Last year the institutions increased their allocations of money to the sector – a trend likely to continue.

Many analysts think that property will outperform [illegible] stockmarket. The stockbroker UBS [illegible] predicted returns from property of more than 20 per cent this year and [illegible] per [illegible] in [illegible] compared with returns from equities of about 3 [illegible] in [illegible] than [illegible] per [illegible]

Moreover, institutions need [illegible] invest [illegible] in property [illegible] compensate for [illegible] outperformance of the equity market [illegible]

Long term yield trends



year. [illegible] though property put in one [illegible] its [illegible] performances in years, [illegible] weighting of [illegible] in an [illegible] portfolio fell by [illegible] percentage point [illegible] 7.5 per cent at the [illegible] of 1992, in the view of Mr Peter Evans of [illegible] Debenham Thorpe, chartered surveyors.

Although the investment institutions [illegible] currently the most active buyers of property, [illegible] is also strong [illegible] property companies. The quoted property [illegible] is flush with [illegible] to spend on new investments, [illegible] raising £2.39bn through rights issues last year.

As confidence comes [illegible] the property market, [illegible] has been a [illegible] in [illegible] type [illegible] property being sought.

During the the recession, investors played safe. Demand [illegible] concentrated on buildings that had [illegible] incomes paid by financially robust [illegible] on long leases. [illegible] bankruptcies diminishes, investors [illegible] placing [illegible] emphasis on security and more on the potential for rental growth. Location [illegible] also regaining much [illegible] its traditional importance.

The question now [illegible] ing investors [illegible] whether the rush to put [illegible] property has pushed values [illegible] far, [illegible] fast. The intense competition [illegible] property deals has led [illegible] investors [illegible] turn [illegible] blind [illegible] slight imperfections in property acquisitions, which potentially could lead [illegible]. "There [illegible] going to be [illegible] nasty shocks," predicts [illegible] Oakeshott of Olim, [illegible] fund manager.

More generally, property investors [illegible] risk both from [illegible] slower-than-expected improvement in [illegible] economy [illegible] a rise in interest [illegible] resulting [illegible] an upturn in inflation.

The [illegible] risk [illegible] for different types [illegible] property. Low yielding property, where [illegible] expectations [illegible] strong rental growth, has the most to lose from [illegible] in the [illegible]

High yielding properties, which have meagre rental growth [illegible] because the incumbent tenants [illegible] by [illegible] long [illegible] into paying well above [illegible] market rent, have the [illegible] to lose from [illegible] in inflation [illegible] rates. That [illegible] investment performance [illegible] this [illegible] property [illegible] bond, and [illegible] would be affected by anything that altered [illegible] yields, such [illegible] in inflationary [illegible]

Although [illegible] anything that could trigger a [illegible] in interest [illegible] and [illegible] yields, they may also feel [illegible] nostalgia [illegible] the era [illegible] unrestrained inflation. In the 1970s, [illegible] inflation came to the rescue [illegible] many bad [illegible] by indiscriminately boosting property [illegible]

No such help is [illegible] hand this time round. "Low inflation should make developers and [illegible] on fundamental supply and demand issues," [illegible] Evans [illegible] DTZ Debenham Thorpe. "They will not have the luxury of being [illegible] decisions."

UK gilts auction disappoints

By [illegible]

The Bank of England's first [illegible] auction of [illegible] government [illegible] received [illegible] lukewarm reception yesterday. The auction of 6¼ per cent treasury stock due 2010 raised £2.75bn ($4.12bn) and the average accepted price was [illegible] a yield of [illegible] per cent.

The cover, or [illegible] by which demand exceeds supply, [illegible] 1.21 times, below market expectations of 1.5 times. This compares with cover of 2.19 for the December auction, but remains above 1993-94's lowest level of 1.1.

Another sign of subdued investor interest was the "tail", the difference between the average accepted price and the lowest. It was two basis points compared with expectations of [illegible] basis point [illegible] less.

Although long-dated gilt prices fell by as much [illegible] point, analysts were relaxed about the disappointing level [illegible] investor interest. "The below-average cover and the above-average tail [illegible] today's auction is no barrier [illegible] performance in the weeks ahead," [illegible] Mr Simon Briscoe, a gilts analyst [illegible] Warburg.

He also noted that the sum raised yesterday brought gilt [illegible] for the year [illegible] about £46bn, which compared with an estimated funding requirement [illegible] £49bn. This [illegible] that [illegible] Bank of England was well ahead of schedule with its funding programme.

Mr Nigel Richardson, [illegible] bond research [illegible] Yamaichi International, said that the good long-term outlook for inflation in the UK [illegible] likely [illegible] support the market. "The [illegible] scope for indigestion is temporary."

Other analysts were [illegible] that the market would soon recover its poise in [illegible] widespread belief [illegible] much [illegible] yesterday's [illegible] had gone straight [illegible] of the market and into the long-term investment portfolios of domestic institutions.

Lex, Page 18

Bayer upgrades profits and sales forecasts

By Christopher Parkes in Frankfurt

Bayer, the German chemicals group, has up-graded its [illegible] profits and sales forecasts, [illegible] solidating expectations that it will [illegible] an unchanged DM11 dividend for the year.

According [illegible] Mr Manfred Schneider, group chairman, [illegible] better-than-expected fourth quarter and [illegible] lift from [illegible] *strengthening dollar would bol*[illegible] to around DM41bn ($24.1bn), compared with DM41.2bn in 1992, and his late-November forecast of DM40bn. Bayer calculates its results using year-end exchange rates.

Pre-tax profits would perhaps be a bit better than [illegible] expected DM2.2bn, [illegible] said.

Mr Schneider repeated [illegible] forecast [illegible] the four-year decline in earnings had ended. Bayer had reached the bottom of the trough, he said, although he predicted unchanged earnings for the current financial year.

The VCI chemicals industry association, of which Bayer is [illegible] leading member, last [illegible] *worst was past.* [illegible] were no signs of [illegible] lasting recovery.

Mr Schneider said Bayer intended to deal with the problems of low-capacity utilisation by negotiating [illegible] co-operation deals with other manufacturers in dyes, organic chemicals and plastics. The group [illegible] running [illegible] plant [illegible] per cent [illegible] 60 [illegible] cent of capacity, he said.

He expected [illegible] conclude co-operation negotiations by [illegible] end [illegible] giving the [illegible] foothold [illegible] the fast-growing US market [illegible] generic drugs, but it would continue [illegible] focus [illegible] of its [illegible] on its established role [illegible] supplier [illegible] pharmaceuticals.

[illegible] cent of this year's DM3.3bn research and development budget would [illegible] devoted [illegible] pharmaceuticals, over-the-counter and diagnostic products. These divisions [illegible] per [illegible] of [illegible] year's [illegible] budget.

BCI improves 1.8% to L268bn

By Robert Graham in Rome

[illegible] Commerciale Italiana (BCI), [illegible] commercial bank controlled by IRI, the Italian state holding company, has announced parent company [illegible] profits up 1.8 per cent [illegible] ($163m) in [illegible].

The results, coming shortly before the [illegible] privatised, reflected a heavy increase in tax provisions, to L713bn, [illegible] from L290bn, [illegible] a large increase [illegible] for possible loan losses.

The loans provision has been increased [illegible] L554bn from L373bn reflecting the [illegible] of recession in [illegible] domestic market.

The proportion of doubtful loans in BCI's portfolio [illegible] to 3.3 [illegible] cent from [illegible] per [illegible] – but this [illegible] almost [illegible] percentage for the Italian banking system.

Net interest income for [illegible] year remained stable, marginally increasing to L2,822bn from L2,816bn. Total assets amounted to L115,813bn [illegible] year end, against L111,577bn. Non-interest income [illegible] to L1,738bn, benefiting from [illegible] market conditions.

The directors [illegible] proposing unchanged dividends of L200 [illegible] ordinary share and [illegible] for savings [illegible] still outstanding after the conclusion [illegible] February 11 [illegible] to [illegible] vert savings into ordinary [illegible] paying [illegible] BCI.

[illegible] profit [illegible] to [illegible] announced in February, [illegible] expected to [illegible] an improved performance by BCI subsidiaries and allowing [illegible] better overall result than [illegible].

Hanson reveals results at UK builder

By Maggie Urry in London

[illegible] yesterday removed one [illegible] covering Beazer Homes, [illegible] UK housebuilding subsidiary, [illegible] it aims [illegible] by the end of [illegible].

[illegible] revealed [illegible] builder, [illegible] fourth largest in [illegible] UK, [illegible] operating profit [illegible] in [illegible] to September [illegible] on [illegible] of [illegible].

Lord [illegible] company's [illegible] general meeting [illegible] conditions in [illegible] UK building industry were much improved. In London, Hanson shares [illegible] ½p [illegible] 279p.

[illegible] the meeting, the management of [illegible] Homes, [illegible] by Mr [illegible] Webb, managing director, [illegible] presentation [illegible] analysts. However, [illegible] the meeting some analysts said they [illegible] given little information [illegible] put [illegible] specific [illegible] on [illegible] until [illegible] prospectus was [illegible] value is expected around [illegible].

Beazer [illegible] was bought by [illegible] as part of its [illegible] purchase of [illegible] in December 1991, [illegible] on Beazer's debts of around £1.25bn. [illegible] the bid, [illegible] planned [illegible] UK and European activities, which also [illegible] property [illegible] contracting, [illegible] up [illegible] £500m.

[illegible] is floating a 70 [illegible] stake of [illegible] housebuilding operations, and the two [illegible] help [illegible] the group's gearing [illegible] was 86 [illegible] of the last [illegible] year.

Beazer [illegible] it [illegible] bank of 16,117 plots, equivalent [illegible] 3.4 [illegible] current [illegible] building. However, [illegible] Webb said later that reservations [illegible] strong [illegible] responding [illegible] this demand.

The [illegible] profit figure for [illegible] compared [illegible] in the year [illegible] June 30 1992, before [illegible] write [illegible] following Hanson's acquisition of Beazer, on [illegible] of £251.2m. In the year to June [illegible] *operating profit* [illegible] £47.8m on £313m turnover with sales [illegible].

Lex, Page 18; Marketing, Page [illegible]

German group's Castle in the air

Laurie Morse analyses Metallgesellschaft's links with US oil trader

L[illegible] portions of Metallgesellschaft's financial distress are being [illegible] on [illegible] and [illegible] hedging strategies of MG Corp, [illegible] subsidiary. However, [illegible] tangled dealings with Castle Energy Corp reflect more [illegible] just [illegible] derivatives strategy gone wrong.

MG Corp's refinery contracts with the company, described by one oil expert [illegible] irrationally beneficial to Castle, remain in force.

Five years ago, Castle Energy Corp was a $5m company whose sole business [illegible] managing [illegible] and [illegible] partnerships. By 1989, tax law changes forced Mr Joseph Castle II, the chairman, to look for other business. At the [illegible] time, [illegible] Corp was embarking on an ambitious expansion into oil and [illegible] trading and merchandising.

[illegible] poker game that is global oil trading, owning [illegible] refinery [illegible] two increases [illegible] trading company's options. The two found [illegible] ground.

In late [illegible] Castle bought [illegible] refinery in Lawrenceville, Illinois.

It was a marginal property in [illegible] troubled industry and the refinery required eight months [illegible] refurbishing and large investments before it could operate. Soon MG Corp [illegible] its sole customer.

[illegible] October, [illegible] MG Corp [illegible] first of [illegible] series of extraordinary refining agreements with Castle. It paid Castle [illegible] fixed refining [illegible] and *promised Castle* [illegible] *profits* it made marketing [illegible] refined products.

Castle in return agreed to indemnify any losses that [illegible] made trading the products. [illegible] an [illegible] Corp subsidiary this arrangement may have been understandable.

As [illegible] separate company, [illegible] agreement [illegible] unique in the refining industry.

Castle logged $31.6m in operating losses during the four months [illegible] agreement, all linked [illegible] paybacks in [illegible] MG Corp trading losses.

Under [illegible] separate [illegible] ment, [illegible] Castle needed operating funds [illegible] capital [illegible] expansion, [illegible] Corp lent [illegible] necessary cash, and received Castle [illegible] in exchange [illegible] loans.

By November, 1993, Castle [illegible] revolving [illegible] line from MG Corp, [illegible] Corp [illegible] of [illegible] stock, [illegible] per [illegible] of ownership.

The tangled financial dealings between [illegible] nies [illegible] light on why, [illegible] now, MG Corp's [illegible] having difficulty sorting out [illegible].

The story drew [illegible] of [illegible] securities regulators, because deals made between Castle [illegible] Corp during [illegible] and [illegible] pumping up [illegible] profits in advance of Castle's $42m public stock offering in November [illegible].

The [illegible] came as MG Corp's liquidity problems were reaching a [illegible] of MG Corp's problems reached [illegible] creditors [illegible] its [illegible] parent one week after Castle's share offering. Nearly all of [illegible] Castle gained from [illegible] offering [illegible] paid to MG to [illegible] dept, according to [illegible] pany filings. Senior MG people [illegible] pulling [illegible] strings at [illegible].

Mr Siegfried Hodapp, formerly MG Corp's president [illegible] formerly a [illegible] vice-president [illegible] parent, was [illegible] a Castle director within [illegible] venture into [illegible] refining [illegible] in [illegible].

As [illegible] investment mounted, Mr Hodapp [illegible] replaced Mr [illegible] as company chairman. Two [illegible] MG [illegible] joined [illegible] board. Mr Arthur Benson [illegible] chair[illegible] of MG [illegible] Corp, [illegible] Mr Joseph Rinaldi [illegible]. The Castle's agreement [illegible] MG Corp's oil products trading [illegible].

After [illegible] months, MG [illegible] agreement [illegible] the refining [illegible] could log profits. MG [illegible] to [illegible] per barrel [illegible] month [illegible] price for the benchmark [illegible] intermediate [illegible] oil, unconditionally, [illegible] the year 2,000.

In the refining business, contracts to pay [illegible] fixed price over crude oil prices are standard, but the margins are generally in [illegible], not dollars. That $5 [illegible] margin put Castle in clover.

Its [illegible] jumped [illegible] per cent, [illegible] in fiscal [illegible]. After losing [illegible] in the [illegible] four months of 1992, Castle earned $1.9m [illegible] the year.

MG Corp [illegible] not [illegible] ment on why it granted [illegible] such [illegible]. However, [illegible] could [illegible] been part of a larger [illegible], because it was [illegible] two [illegible] following year. Using MG Corp [illegible] bought a [illegible] natural [illegible] pipeline and other [illegible] interests from [illegible] for $103.7m, and just a month before its [illegible] offering, purchased a second, smaller oil refinery in California. [illegible] a [illegible] margin [illegible] MG [illegible] the output [illegible] refinery – [illegible] set price of [illegible] barrel over nearby [illegible] North slope [illegible] price, [illegible] for [illegible].

The MG Corp contracts [illegible] to burnish the [illegible] stark business reali[illegible] out [illegible] ber 24. In [illegible] prospectus [illegible] clearly stated [illegible] it had, as of September 30, [illegible] a negative net worth [illegible] $9.4m [illegible] of [illegible].

WH Smith 11% up at halfway

By [illegible] Buckley in London

W H Smith, the retail and distribution group, yesterday announced [illegible] 11.2 per cent increase in interim pre-tax profits, but [illegible] it [illegible] still cautious about [illegible] spending.

Profits for the six months [illegible] November [illegible] increased from £40.2m [illegible] £44.7m – towards [illegible] lower end [illegible] market expectations – and the shares closed down 6½p at 530½p.

Sales in the five weeks to December 31 increased 6.2 per cent on the year before, improving to 7 [illegible] cent in the [illegible] three [illegible] of this month.

Monte Carlo group warns of sharp fall

By [illegible] Rawsthorn in [illegible]

Société [illegible] Bains [illegible] Mer [illegible], the [illegible] Carlo-based hotel and gaming group, yesterday warned that [illegible] profits [illegible] likely to fall by [illegible] per cent to [illegible] per [illegible] in [illegible] current [illegible] year.

SBM, which [illegible] the largest [illegible] in Monaco [illegible] owns the famous Hôtel [illegible] Paris [illegible] well as the Monte Carlo casino, has been affected by economic recession and the strength of the French franc against other European currencies.

The [illegible] said it [illegible] just starting [illegible] detect signs of [illegible] improvement in [illegible] economic environment. However, it anticipated [illegible] reduction in turn[illegible] of between [illegible] per cent [illegible] per cent in the year to March 31 from FFr1.75bn ($297m) in [illegible] full financial year as well as the fall in [illegible] profits from [illegible] previous year's FFr135m.

Gaming is expected to register [illegible] decline in net profits to FFr200m from FFr250m. Hotels will suffer a fall in earnings [illegible] the occupancy level has fallen by 8 per cent to 57 per cent in [illegible] year.

Oerlikon-Bührle buys Degussa vacuum unit

By Ian Rodger in Zurich

Oerlikon-Bührle, the Swiss [illegible], engineering [illegible] group, has agreed to purchase the Leybold vacuum technology businesses from Degussa of Frankfurt for [illegible] ($59m).

The deal, subject to clearance by the German cartel authorities, would make Bührle, whose Balzers subsidiary [illegible] a large [illegible] business, [illegible] *leading supplier in this* specialised [illegible].

Vacuum systems are used *for coating various products,* including architectural glass, semiconductor wafers, compact disks, erasable optical [illegible] and liquid crystal displays.

Balzers had turnover of SFr430m ($287m) [illegible] and was profitable. Leybold, with sales of [illegible], [illegible] heavy loss for [illegible] time.

Mr Heinrich Fischer, Bührle's corporate development director, said [illegible] together had a large [illegible] the German market, [illegible] that [illegible] no [illegible] block the deal. Last week Bührle revealed it [illegible] placed [illegible] registered shares privately in *December at market value* [illegible] help [illegible] the acquisition.

BCP posts 9% rise in profits to Es22bn

By David Wise in Lisbon

[illegible] Comercial Portugues (BCP), [illegible] Portugal's big[illegible] retail banks, yesterday announced a 9 per [illegible] in [illegible] net profits in [illegible] to [illegible] despite [illegible] depressed [illegible] conditions [illegible] falling financial [illegible].

The increase represents a 2 per [illegible] profits [illegible] share to [illegible] the Portuguese share market, with [illegible] market capitalisation of [illegible] and a bigger price [illegible] share.

Total [illegible] grew 27 per [illegible] to Es1,927bn. Credit [illegible] 28 per cent [illegible] ary as [illegible] proportion of total [illegible] 41 per cent.

Cash flow [illegible] 34 per [illegible]. The [illegible] of subsidiary companies [illegible] 24 per cent to Es3.9bn, 17 per cent [illegible] the total, benefiting from cross-selling and the promotion of [illegible] products in Portugal, Spain [illegible].

BCP more than doubled [illegible] provisions against non-performing loans to [illegible].

INTERNATIONAL COMPANIES AND FINANCE

Crédit National profits fall but dividend is held

By Alice Rawsthorn in Paris

[redacted] National, the corporate banking group, has warned that it suffered [redacted] sharp fall in net profits during [redacted] "particularly difficult year".

The [redacted] headed by Mr [redacted] Yves Habérer, [redacted]versial former chairman of Crédit Lyonnais, [redacted] in a statement [redacted] it planned to maintain [redacted] for [redacted] despite [redacted] reduction in net profits from the FFr585.9m [redacted] in [redacted]992.

However, [redacted] later [redacted] National would pay [redacted] dividend [redacted] for 1993 [redacted] confusion on the Paris [redacted] market. The group's dividend in [redacted] had [redacted] worth FFr20.00 but [redacted] had [redacted] split [redacted] thereby doubling [redacted] number [redacted]

Crédit National's shares [redacted] temporarily suspended until it clarified [redacted] situation by [redacted] statement confirming that, because of [redacted] share split, the [redacted] payment for 1993 was equal [redacted] that of 1992.

The group, [redacted] banks, was badly affected [redacted] by the sluggish [redacted] demand for corporate credit as companies cut back on investment due [redacted] recessionary [redacted]sures and [redacted] about the high [redacted] interest [redacted] in France.

It [redacted] by the sharp increase in [redacted] number of company failures, particularly [redacted] small [redacted] medium-sized businesses that have borne the brunt [redacted] the French [redacted]

The amount [redacted] credit extended by [redacted] group fell by [redacted] per cent to FFr14.4bn during [redacted] against FFr18bn in [redacted]

However, Crédit National, which recently finalised [redacted] cross-shareholding agreement with IKB Deutsche [redacted] Germany, [redacted] relatively well [redacted] investment activities. It also benefited from [redacted] improved performance from Dupont-Denant, [redacted] broking subsidiary.

Moulinex [redacted] draft rescue package

By Alice Rawsthorn

Moulinex, the troubled French [redacted] electricals group, yesterday saw [redacted] sharply [redacted] Paris [redacted]ket [redacted] announcing that it had agreed draft proposals for a financial rescue package.

The company's shares soared to close FFr9 better at FFr128. Moulinex was also buoyed by the announcement that it came close to break even in the nine months to December 31.

Moulinex, badly affected by economic recession and [redacted] by its 1991 acquisition of [redacted] the [redacted] manufacturer, fell [redacted] during [redacted] year [redacted] has reported an interim [redacted] ($27.3m) for the [redacted] months [redacted] September 30.

It has put together [redacted] provisional [redacted] package [redacted] months of negotiations. The plan involves [redacted] FFr650m capital [redacted] for Finap, [redacted] holding [redacted] that [redacted] per [redacted] Moulinex. [redacted] capital will [redacted] from a number [redacted] investors including [redacted] Dimplex, [redacted] Irish group behind the Morphy Richards electrical brand, [redacted] Finamex, a partnership formed [redacted] invest the money [redacted] by Mr [redacted]telet, [redacted] founder.

The restructuring of Finap would be followed by [redacted] FFr600m capital increase for [redacted] company's debt. However, Mr Gil[redacted] Torelli, managing [redacted] in charge of the [redacted] cautioned [redacted] the plan was still [redacted] a provisional [redacted] and [redacted] several months to finalise.

Rights issue to go ahead at Sonae group

[redacted] in Lisbon

A bitter legal battle that for more [redacted] a [redacted] blocked a rights issue by [redacted] Investimentos, the holding [redacted] for Portugal's largest privately-held industrial and distribution conglomerate, has [redacted] settled by an out-of-court agreement between minority and majority shareholders.

A minority group composed [redacted] heirs of the [redacted] of the Sonae group [redacted] court injunction ordering the [redacted]pension of the Es15bn [redacted] rights [redacted] only minutes before [redacted] subscription period was [redacted] to end on December 31, 1992.

[redacted] then majority share[redacted] led by Mr Belmiro [redacted] Azevedo, president of [redacted] Sonae [redacted] fighting [redacted] permission [redacted] proceed [redacted] issue, which would [redacted] the share capital [redacted] Sonae Investimentos from [redacted] to Es40bn.

[redacted] markets analysts [redacted] the capital [redacted] badly needed [redacted] a heavy [redacted]mulated debt and help meet the [redacted] major [redacted]

The minority [redacted] argued that [redacted]. But their underlying [redacted] for opposing [redacted] was reportedly that they [redacted] sufficient funds [redacted] participate fully in the capital increase and [redacted] dilution of their holding.

[redacted] agreement [redacted] groups [redacted] shareholders [redacted] not been revealed. But immediately following [redacted] accord, the minority group [redacted] 4 [redacted] of [redacted] holding [redacted] institutional [redacted] in the majority group for Es3bn.

The minority group will [redacted] reconstitute their position through [redacted] capital increase. [redacted] in [redacted] rights issue will [redacted] the December [redacted] price of Es1,000 each and will be available only [redacted] at that time. Shares in Sonae [redacted] were trading at Es3,350 yesterday. The [redacted] the rights [redacted] now depends [redacted] by the Lisbon Stock [redacted]

Strength of ambition fuels steel group

Shougang wants to be China's first multi-national, reports Alexander Nicoll

Shougang Corporation [redacted] to be [redacted] than one [redacted] biggest [redacted] companies in a country which has a desperate need for steel to [redacted] economic boom.

"Our aim [redacted] become a multi-national, world class enterprise by the year 2000," [redacted] Mr Zhou Beifang, chairman of the group's Hong Kong holding [redacted]

The company, [redacted] has 24 subsidiaries and affiliates in [redacted] countries including the US, [redacted] plans a huge [redacted] in domestic capacity [redacted] put it [redacted] the top three [redacted]panies in [redacted] world.

Shougang, which [redacted] entirely state-owned, [redacted] no plans to [redacted] employees [redacted] to seek listings for the parent [redacted] stock exchanges [redacted] in [redacted] elsewhere, according [redacted] Mr Luo Bingsheng, [redacted] president.

Nevertheless, Mr Luo and Mr Zhou have embarked [redacted] round-the-world tour [redacted] present the [redacted] investment community.

Its international ambitions [redacted] led by [redacted] Concord International Enterprises, [redacted] four [redacted] in Hong Kong, which [redacted] year [redacted] convertible bond issue.

The [redacted] plans [redacted] Hong Kong [redacted] further expansion into [redacted] Asia as well as Europe and North America. Mr Zhou [redacted] markets in south-east Asia are [redacted]ising and that Shougang would like a presence there – subsidiaries [redacted] seek [redacted] market listings in Malaysia and Singapore.

The group also plans to build steel [redacted] outside [redacted] on a contract [redacted]

Shougang [redacted] unusual [redacted] Chinese state-owned companies, though not only [redacted] it [redacted] a profit. It was one of the earliest [redacted] acquire [redacted] management autonomy under the economic reforms which Mr Deng Xiaoping, China's leader, intro[redacted] in [redacted]

[redacted] independence [redacted] increased [redacted] the [redacted] that it is allowed [redacted] autonomously in investment, [redacted] and foreign trade – it [redacted] even been able to set up [redacted] bank. Shougang [redacted] responsible directly [redacted] State Council, China's equivalent of the cabinet, and not [redacted] ministry [redacted] metallurgical industry, which [redacted] producers.

The [redacted] extraordinarily good connections. It [redacted] liberal [redacted] photographs [redacted] Mr Deng Xiaoping visiting [redacted] main [redacted] and [redacted] just [redacted] Beijing [redacted] May 1992. [redacted] Deng Zhifang, [redacted] leader's [redacted] on the board of Shougang Concord Grand, another Hong Kong-listed subsidiary.

[redacted] Hong Kong, the [redacted] has [redacted] up [redacted] alliance with Mr Li Ka-shing, [redacted] tycoon [redacted] main [redacted] Cheung Kong, owns 12 [redacted] Shougang Concord International.

[redacted] group's holdings in mainland joint ventures have already been [redacted] by Shougang Concord International, which [redacted] in rapid transformation since it [redacted] acquired [redacted] Tung Wing [redacted] October [redacted] Mr Zhou [redacted] plans [redacted] inject a [redacted] per [redacted] in a [redacted] rolled [redacted] "will continue [redacted] inject [redacted] in accordance [redacted] market conditions".

[redacted] group's interna[redacted] thus far [redacted] at boosting Shougang's position within [redacted] paid [redacted] iron [redacted] mine in Peru, which it is using to feed its [redacted] plants [redacted] home.

Although [redacted] company's [redacted] talk of Hong Kong [redacted] a window on the world, [redacted] "China's industrial capital joins the [redacted] financial capital", a large part of its role in [redacted] finance mainland activities. Hong Kong companies which invest in the mainland [redacted] foreign and obtain beneficial tax treatment.

Shougang's primary goal [redacted] become China's largest [redacted] producer – currently it [redacted] the third largest crude [redacted] maker [redacted] second largest manufacturer [redacted] products. It aims [redacted] produce 10m [redacted] this [redacted] – [redacted] from 5.7m in [redacted] and [redacted] expand capacity [redacted] by [redacted] This [redacted] would come through [redacted] new joint [redacted] Shandong province with Cheung Kong.

Shougang Corporation (Yn m)	1990	1991	1992	1993
Turnover	7,619	8,899	12,589	[redacted]
Total profit	[redacted]	2,361	3,202	[redacted]
Shougang Concord International (HK$m)				
Turnover	2,487	[redacted]	3,400	
[redacted] profit	[redacted]	[redacted]	[redacted]	

Data for SCI on proforma basis as [redacted] present group structure in existence during all three years.
Source: Company [redacted]

The group's ambitions – and [redacted] investors [redacted] to get [redacted] piece of China's boom – face a number of uncertainties. Like [redacted] Chinese state-owned companies, Shougang will one day have [redacted] face up to [redacted] burden created by [redacted] employees, for whom it [redacted] to provide from cradle [redacted] grave.

More immediately, it will need to establish equilibrium in its fast-changing [redacted] subsidiaries: [redacted] report by Salomon [redacted] profit [redacted] for Shougang [redacted] International: "Given the fluid nature [redacted] the company, [redacted] numbers must be viewed [redacted] merely rough indications of trend and magnitude." [redacted] rapid growth [redacted] earnings, though it [redacted] as risks changes in [redacted] steel import tariffs, currency fluctuations and slippage in imple[redacted] of the expansion plans.

Shougang [redacted] depends on the [redacted] policy, which [redacted] produced [redacted] booms and [redacted] reforms began. If government austerity measures [redacted] last year fail [redacted] curb inflation and speculation, Beijing could [redacted] forced to bring about [redacted] "hard landing". Mr Luo [redacted] brought [redacted] prices [redacted] that they have been rising again [redacted] in [redacted]

Sunkyong takes 23% stake in Korean telephone network

By John Burton in Seoul

Sunkyong, South Korea's fifth-largest [redacted] acquired [redacted] per [redacted] in Korea Mobile Telecom (KMT), [redacted] country's cellular telephone network, in a [redacted]

[redacted] in KMT [redacted] week [redacted] part of [redacted] privatisation pro[redacted] by Korea Telecom, the [redacted] controlled telecommunications operator. Korea Telecom will retain a 20 [redacted] cent stake in KMT.

Sunkyong was the only investor [redacted] bid [redacted] accepted from 292 appli[redacted] for [redacted] per cent of KMT. The [redacted] the [redacted] low [redacted] auction will soon [redacted] held [redacted] remaining KMT [redacted] Sunkyong paid an [redacted] share, which were trading this [redacted] the [redacted] bourse [redacted] Won327,000.

The KMT [redacted] price has grown from Won50,000 [redacted] late 1991, reflecting the large demand [redacted] cellular telephone [redacted]vices. The number of subscribers reached 470,000 [redacted] end [redacted] year.

KMT, which [redacted] in 1984, reported [redacted] profits [redacted] Won71.9bn on [redacted] Won420bn [redacted] year.

Other main [redacted] shareholders [redacted] the Bank of Seoul, Korea Fund, and the Korea Stock Stabilisation Fund.

A second cellular telephone network will be formed by a consortium of companies next month [redacted] compete [redacted] KMT.

Sunkyong in 1992 [redacted] the [redacted] operate [redacted] telephone network, [redacted] forced [redacted] relinquish the [redacted] because of charges [redacted] nepotism involving the families of [redacted] Sunkyong [redacted] and [redacted] president [redacted] Tae.

NTT joins General Magic multi-media product alliance

[redacted] Michiyo [redacted] Tokyo

NTT, the Japanese telecommunications group, [redacted] yesterday it [redacted] investing in General Magic, [redacted] company which is developing technology for multi-media products.

NTT's decision [redacted] join [redacted] string of international investors in General Magic increases the possibility that the US company's technology will become [redacted] *facto* industry standard for portable multi-media communications. This [redacted] is expected to [redacted] one of the most promising growth [redacted]

[redacted] is [redacted] of text, sound [redacted] pictures with computing and telecommunications [redacted]

Apple Computer, [redacted] US computer [redacted] AT&T and Motorola, US telecommunications companies, [redacted] of Japan and Philips of [redacted] Netherlands, invest in General Magic. The companies have formed the General Magic [redacted] and are developing prod[redacted] and services [redacted] on [redacted] Magic's communications software.

NTT's involvement in [redacted] General Magic [redacted] promises to [redacted] the [redacted] for hand-held multi-media [redacted] as the larger number [redacted] prod[redacted] market [redacted] likely [redacted] demand for them.

NTT, which is joining [redacted] foreign software alliance for the [redacted] time, would develop multi-media [redacted] based [redacted] technology licensed from [redacted] said.

The Japanese telecommunications [redacted] hopes its tie-up with [redacted] will [redacted] it to use its technolo[redacted] in standardising global communi[redacted] services.

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Cost-cutting lifts DuPont earnings in fourth quarter

By Richard Waters in New York

Underlying earnings [redacted] DuPont in the final quarter of [redacted] reflected the steady improvement in the [redacted] chemicals [redacted] pany's operating position during [redacted] year, rising to [redacted] from [redacted] year before.

After-tax operating earnings rose by a quarter for the year [redacted] a whole, to $1.7bn.

The gains were made largely as [redacted] result of cost-cutting, [redacted] Mr Edgar Woolard, chairman, adding that the company would continue to concentrate on productivity improvements to enable its businesses [redacted] at [redacted] than [redacted]

Mr Woolard pointed in particular [redacted] improvements in the group's petroleum [redacted] in [redacted] period, where cost-cutting on the upstream [redacted] and higher margins on refining and marketing pushed operating [redacted] up [redacted] $163m from [redacted] the year before.

The chemicals and other [redacted] also [redacted] from lower costs, he added, though this was partly [redacted] by weak [redacted] conditions in Europe.

The chemicals business recorded operating income of [redacted] from $51m [redacted] year before; [redacted] reported $104m, against $52m; polymers [redacted] from [redacted] businesses $4m, from a loss of $47m.

After previously-announced restructuring [redacted] other non-recurring items, fourth quarter [redacted] 33 [redacted] share, compared with a loss [redacted] $330m or 35 cents the year before.

One-off [redacted] included an after-tax charge [redacted] $144m [redacted] product liability claims, mainly [redacted] to [redacted] Benlate fungicide, [redacted] by a gain from the sale of Remington Arms and [redacted] company's Canadian polyethylene [redacted]

For the year [redacted] whole, [redacted] income was [redacted] ($1.7bn before all one-off items), against [redacted] of $3.9bn (a profit of $1.3bn [redacted] items) in [redacted]

■ Cost-cutting also helped push earnings [redacted] chemicals group Union [redacted] in the final quarter, lifting [redacted] $41m, [redacted] 26 [redacted] share, from $17m, [redacted] cents, [redacted] year before, when [redacted] results [redacted] from a net [redacted] gain from one-off [redacted]

For [redacted] year, [redacted] ($165m [redacted] accounting changes), against a [redacted] $187m [redacted] profit of $119m before accounting changes and [redacted] tribution [redacted] discontinued operations) in [redacted]

Edgar [redacted]: seeks growth from improved productivity

Big US oil groups overcome price falls

By Richard [redacted]

The [redacted] biggest US oil [redacted] – Exxon, Mobil and Chevron – all reported sharply higher refining and marketing earnings for the last three [redacted] 1993, helping [redacted] of the precipitous fall in world oil prices.

Together with significant cost-cutting [redacted] the past year, [redacted] in profits from down[redacted] activities [redacted] Mobil [redacted] report higher operating income [redacted] period compared with [redacted] year before, while Chevron profits [redacted] slightly.

At Exxon, upstream exploration and production earnings fell [redacted] $743m, from [redacted] (before one-off items). This [redacted] by higher downstream profits, which [redacted] from [redacted] (before special [redacted] profits from [redacted] rose [redacted] from $71m on lower [redacted] and [redacted] higher-margin prod[redacted]

[redacted] quarter [redacted] $1.5bn, or $1.20 [redacted] share, from $1.4bn, [redacted] $1.12, [redacted] before. Full-year [redacted] bol[redacted] by [redacted] of [redacted] savings, taking [redacted] of $111bn compared with [redacted] of $117bn.

Mobil [redacted] exploration and production earnings fell by $137m during [redacted] quarter, to [redacted] marketing and refining profits rose by [redacted] (excluding [redacted] special items).

Unlike other groups, Mobil failed to see an upturn in its [redacted] business, which is heavily dependent on polyethylene prices, and reported operating [redacted] of $1m [redacted] from $4m.

[redacted] income for the quarter [redacted] before charges), compared with [redacted] year earlier. For [redacted] year, [redacted] income [redacted] $2.1bn ($2.3bn [redacted] special items [redacted] accounting changes) compared with $862m ($1.5bn) for 1992.

At Chevron, [redacted] income for [redacted] final quarter totalled $294m [redacted] before special items), compared with $1.1bn [redacted] before [redacted] the [redacted] before. Exploration and production earnings fell [redacted] to [redacted] refining and marketing [redacted] climbed from $192m to [redacted]

Full-year [redacted] reached $1.3bn ($2.1bn before one-off factors), compared with $1.6bn ($1.6bn) in [redacted]

Rivals target Mexican monopoly

Telmex is to face competition for the first time, writes Damian Fraser

Teléfonos de México, [redacted] monopoly telephone carrier, is about to [redacted] competition for [redacted] first time. Notoriously inefficient and hugely profitable, [redacted] pany is proving [redacted] irresistible target for rivals.

On Tuesday, MCI, [redacted] US long-distance carrier, and Grupo Financiero Banamex-Accival (Banacci), Mexico's largest financial group, announced they were forming [redacted] company [redacted] aim of offering long-distance services in [redacted] The company will be capitalised [redacted] $1bn, [redacted] build [redacted] state-of-the-art fibre-optic [redacted] linking three cities.

MCI [redacted] joint venture would [redacted] awarded a long-distance licence by the government. The new operators could provide services from August 1996, when Telmex's monopoly [redacted] long-distance service runs out.

The MCI-Banacci [redacted] ment [redacted] Iusacell, [redacted] cellular phone company in [redacted] Bell Atlantic recently took [redacted] for $1.04bn, [redacted] preparing [redacted] provide [redacted] basic wireless local telephone [redacted] vice. Iusacell hopes [redacted] have 1.5m subscribers by 1996, compared with Telmex's 7.3m.

"Depending [redacted] regulation, [redacted] future for Telmex could [redacted] very difficult," says Mr Bill Deatherage, [redacted] analyst with S. G. Warburg. "Obviously, [redacted] entrants will focus on the [redacted] lucrative markets."

Telmex's main weakness [redacted] high, and it [redacted] required [redacted] install new telephone lines [redacted] loss, making it vulnerable to competitors [redacted] have no such obligations. Tel[redacted] charges a telephone installation [redacted] of about [redacted] for homes and $1,000 for busi[redacted] against [redacted] average [redacted] of installation of $2,500.

It recoups the installation [redacted] from inflated charges for long-distance [redacted] international calls. According [redacted] France Telecom, Telmex's partner, [redacted] company makes profits [redacted] subscribers who make [redacted] than $300 worth of telephone [redacted] year, [redacted] average operating [redacted] per telephone line.

[redacted] is likely to focus [redacted] long-distance business traffic, [redacted] profitable segment of the long-distance market. In all, long-distance and international revenues are expected [redacted] have accounted for $4.2bn [redacted] Telmex revenues last year, [redacted] more [redacted] the total.

Mr Austin Beutner, general partner of The Blackstone Group, which advises Iusacell, [redacted] installation [redacted] on the Iusacell local service [redacted] "dramatically lower" [redacted] Telmex's. Assuming the [redacted] installation fees as Telmex, [redacted] can cover installation costs with far fewer than the planned 1.5m subscribers, [redacted] says.

[redacted] that operating [redacted] for [redacted] digital wire[redacted] service will [redacted] much [redacted] than [redacted] per subscriber. Usage (excluding long distance) will [redacted] higher for [redacted] Telmex's since "in building [redacted] you [redacted] going [redacted] penetrate high demographics and high-use [redacted] first."

[redacted] profit [redacted] of nearly [redacted] per cent could [redacted] expected [redacted] Iusacell to [redacted] target [redacted] subscribers, it would capture at least a fifth of [redacted]

Telmex is betting on a friendly regulatory environment in both long-distance and [redacted] kets. Mr John Atterbury, local [redacted] – [redacted] Telmex's foreign part[redacted] – [redacted] Iusacell [redacted] of [redacted] of Telmex's obligation [redacted] at [redacted] by paying, [redacted] ple, high [redacted]

Telmex [redacted] also seeking [redacted] competition [redacted] long distance segment. [redacted] company recently proposed [redacted] plan for long-distance interconnection which, if accepted, would "leave [redacted] little [redacted] the table for new long-distance carriers," Mr Deatherage [redacted]

Under the plan, Telmex will [redacted] 10 interconnection points [redacted] local and long-distance networks, ensuring [redacted] good part [redacted] long-distance [redacted] will [redacted] carried by [redacted] local network.

Telmex will require all [redacted] between [redacted] user and long-distance network to [redacted] provided by Telmex "to maintain equality among competitors". Telmex will also [redacted] to [redacted] a carrier [redacted] time they call, rather [redacted] pre-select a long-distance carrier as in the US.

The government has still to [redacted] the Telmex plan and will [redacted] under [redacted] to [redacted] competition. MCI and Banacci [redacted] confident [redacted] move to [redacted] of competitive market found in [redacted] Iusacell already has [redacted] regulatory go-ahead to provide a [redacted] service, it says.

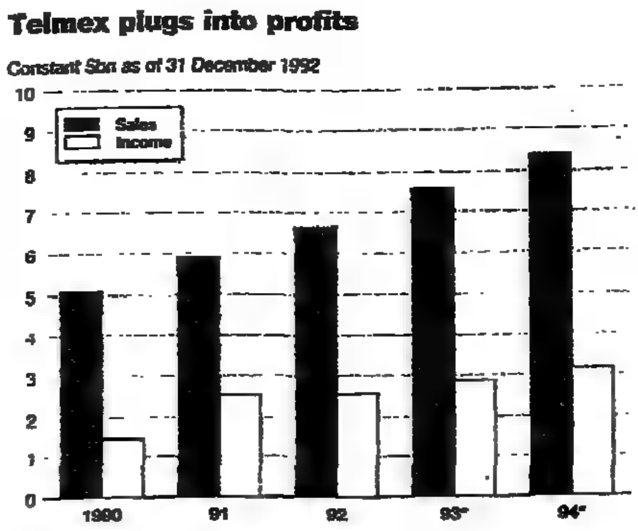
If [redacted] competition, [redacted] seem to [redacted] ill-prepared, providing a [redacted] that [redacted] by subscribers. Last year, the gov[redacted] protection [redacted] 114,000 complaints against Telmex, [redacted] all complaints received.

While Telmex [redacted] investing heavily [redacted] improve efficiency, [redacted] technology alone may [redacted] problem [redacted] foreign partners [redacted] telephone union [redacted] a significant [redacted] greater productivity.

Telmex, complains Mr Christian Chauvin [redacted] Tele[redacted], "is [redacted] companies, [redacted] management [redacted] and [redacted] union [redacted]"

Telmex plugs into profits

Constant $bn as of 31 December 1992



Source: Company figures and Serfin estimates

Bethlehem Steel shows continuing recovery

By Richard Waters

Shares in Bethlehem Steel jumped 5 per cent yesterday morning as the US's second biggest steelmaker reported a continuing improvement in its operating position and a further restructuring charge.

Projecting another year of strong steel demand, Mr Curtis Barnette, chairman, said the continuing economic recovery and only a small rise in imports "should result in 1994 domestic industry shipments which match or exceed 1993's estimated 87m tons.

"We expect that Bethlehem will be profitable for the year 1994," he added.

The $1 rise in its shares, to $22⅝, reversed a bout of profit-taking the day before, confirming Bethlehem as one of the best performing large company stocks this year. Bethlehem has risen from below $17 in early December as investors have sensed a revival in the fortunes of steel companies.

Yesterday, the company reported a $350m charge ($290m after tax) to cover a revised modernisation plan for its structural products business [redacted] to write down entirely a coke plant at its Sparrows Point works. The modernisation will result in the loss of 2,000 jobs, compared with 1,500 expected losses under an earlier plan.

Fourth-quarter results continued to show the improvements evident from stronger demand for steel in the US and rising steel prices. Before the restructuring charge, net income for the quarter was $47m ($19m for the year, before various one-off items), against a net loss of $56m.

Scott Paper to cut workforce by 25%

By Laurie [redacted] in Chicago

Scott Paper, [redacted] Philadelphia-based manufacturer of personal [redacted] products and printing papers, is to cut its worldwide workforce by 25 per cent, [redacted] employees.

The company took a [redacted] charge on fourth-quarter earnings [redacted] job cuts. More [redacted] half of the lay-offs, [redacted] about [redacted] jobs, [redacted] occur in its international operations and affiliates.

[redacted] company [redacted] shut down [redacted] of its older [redacted] manufacturing plants in [redacted] and Europe and to restructure [redacted] coated paper [redacted] businesses have [redacted] pressured by worldwide overcapacity [redacted] competitive pricing. Scott [redacted] its affiliate in [redacted] would restructure.

Mr Philip Lippincott, Scott's [redacted] the [redacted] reductions [redacted] bring the company's employment rate into [redacted] its [redacted] competitors.

"These actions are part of our [redacted] take [redacted] of our destiny [redacted] slow-growth, highly-competitive and value-focused environment of the 1990s," [redacted]

[redacted] the restructuring charge, Scott reported fourth-quarter earnings fell [redacted] $34.4m, [redacted] cents [redacted] share, from $44.8m or [redacted] cents per share in [redacted] quarter [redacted] year. Including the charge, Scott had [redacted] loss of [redacted] or $5.01 per share for the quarter.

Scott's fourth-quarter sales were $1.20bn, down from $1.28bn in the [redacted] 1992 quarter.

[redacted] the [redacted] before special charges, Scott [redacted] income [redacted] $177.6m [redacted] per share, down [redacted] $167.2m or [redacted] With charges, Scott [redacted] of $277m [redacted] $3.75 for [redacted] year. Scott's [redacted] sales [redacted] $4.7bn, down from $5bn [redacted] previous year. The company's [redacted] by $201m [redacted]

Scott's European operations were [redacted] by [redacted] sales and unfavourable foreign [redacted] conversions. Outside the US, the company's operating [redacted] per [redacted] were [redacted] 20 per [redacted] Within [redacted] US, Scott's operating income slid 14 per cent, while [redacted]

Scott's operating [redacted] from its printing paper [redacted] dropped to $79.6m in 1993, from $90.8m in 1992, while its personal [redacted] and [redacted] paper lines saw income slide to $306.6m, from $374.7m [redacted] previous year.

Martin Marietta [redacted] to $118m for fourth term

By Richard Tomkins

Martin Marietta yesterday reported [redacted] surge in fourth-quarter net income to $118.7m, excluding a $17.4m charge for accounting changes, from [redacted]

The US defence [redacted] rise to $3.19bn from [redacted] per [redacted] rose to $1.08 from 81 [redacted] before accounting changes and 90 cents after the changes.

In April [redacted] year Martin [redacted] bought [redacted] Electric's aerospace division for $3.05bn. It expanded again at the end of the [redacted] by buying agreeing to buy General Dynamics' [redacted] launch business for $208.5m.

For the full-year, net income [redacted] up to $450.3m from [redacted] before accounting changes, but slumped to $20.9m [redacted] the changes. Turnover was up [redacted] from $5.95bn.

Earnings per share rose [redacted] from [redacted] before accounting changes, but turned into [redacted] 26 [redacted] share [redacted] the changes.

Marion Merrell Dow turnover tumbles 7%

By Richard Waters

Drug [redacted] Marion [redacted] Dow dropped 7 per cent in the fourth quarter from a [redacted] ago, [redacted] the [redacted] suffered from the expiry [redacted] patents on some [redacted] biggest-selling products.

"We [redacted] a difficult [redacted] in [redacted] with pressures on our major products [redacted] well as challenges for [redacted] entire pharma[redacted] industry," [redacted] Mr Fred Lyons, chairman and [redacted] executive.

[redacted] in the fourth-quarter were $742m, down [redacted] $797m, [redacted] the [redacted] fell by 15 [redacted]

Net [redacted] quarter was $116m, compared [redacted] in the same period a [redacted]

For [redacted] year, net [redacted] fell [redacted] or [redacted] share, [redacted] $491m before restructuring charges, from $700m, or $2.51, in [redacted]

Restructuring takes its toll on Borden

By [redacted] in New York

Borden, [redacted] troubled [redacted] and wallpaper [redacted] which this [redacted] put several of its businesses up [redacted] sale, yesterday announced [redacted] expected heavy losses for its fourth quarter and the full year [redacted] taking heavy charges for restructuring.

Net [redacted] for the fourth quarter [redacted] $635.9m, [redacted] a share, largely because the [redacted] a charge of [redacted] against earnings [redacted] cover losses stemming from business divestments, asset write-downs, [redacted] of [redacted] ganisation, and accounting changes. Last [redacted] it made [redacted] profits of $28.4m, [redacted] cents.

For [redacted] full year, [redacted] reported [redacted] $593.6m, [redacted] $4.21, compared with [redacted] of [redacted] $3.07.

[redacted] beginning [redacted] January, [redacted] announced [redacted] it [redacted] putting [redacted] loss-making salty [redacted] business and [redacted] seafood, jam [redacted] jelly businesses on the market in the latest of a series of restructurings aimed at reviving profits.

Mr Ervin Shames, president and chief executive, said yesterday he believed the latest plan would improve [redacted] performance and build shareholder value.

"The key is revitalising our best businesses through a com[redacted] of focus, investment [redacted] marketing, the largest [redacted] reduction [redacted] Borden history, [redacted] a management [redacted] operating in [redacted] re-energised culture," Mr [redacted]

He predicted that quarterly earnings would strengthen this year after a marginally profitable first quarter, producing year-end earnings per share [redacted] the upper end of the 75 cents to $1 range predicted by analysts.

Strong sales boost Lotus' final period

By Louise Kehoe in San Francisco

Lotus Development, the US personal computer software company, recorded higher-than-expected fourth-quarter earnings, reflecting strong sales [redacted] its [redacted] electronic mail applications.

[redacted] income for [redacted] quarter was $29.6m, [redacted] 64 [redacted] share, a [redacted] over [redacted] year's fourth-quarter [redacted] of $14.6m, or 35 [redacted] Last [redacted] the [redacted] a pre-tax gain of $15m [redacted] the [redacted] of [redacted] by a [redacted] pre-tax [redacted] uring charge.

Fourth-quarter revenue [redacted] a record [redacted] from [redacted] in [redacted] period [redacted] lier.

For [redacted] full year, [redacted] revenues [redacted] from [redacted] in [redacted] one-time [redacted] in both [redacted] income in 1993 rose 32 per cent to $75.4m, or $1.69, [redacted] $57.2m, or $1.33, in 1992.

Net income for 1993, including a charge of $19.9m related to the acquisition of Approach Software, was $55.5m, or $1.24. For 1992, net income, including a pre-tax gain of $49.7m from [redacted] and [redacted] $15m pre-tax restructuring charge, was [redacted]

Mr Jim Manzi, president and [redacted] executive, [redacted] cc:Mail, [redacted] communi[redacted] products, had [redacted] strong.

Lotus [redacted] expanded [redacted] the market [redacted] applications designed to run [redacted] Microsoft's widely used Win[redacted] software, he [redacted]

Lotus' [redacted] price gained on [redacted] of [redacted] fourth-quarter [redacted] The [redacted] trading [redacted] mid-day in New York yesterday, up from Tuesday's [redacted]

Inquiry urges reform of Vancouver exchange

By Bernard [redacted] in Toronto

A commission of inquiry [redacted] urged sweeping regulatory reforms [redacted] improve [redacted] image of the scandal-plagued Vancou[redacted] exchange (VSE).

But several key participants, including the VSE itself, [redacted] expressed doubts whether [redacted] proposals, which include [redacted] supervisory bodies, will achieve their desired goals.

Mr James Matkin, [redacted] prominent businessman who [redacted] the inquiry, [redacted] the VSE's [redacted] are overshadowed by "shams, [redacted] and market manipulations".

[redacted] report's main proposal is [redacted] transfer supervision of [redacted] from the [redacted] Columbia [redacted] Commission, [redacted] government [redacted] independent Securities [redacted] Exchange Board, [redacted] on similar bodies in the US and UK.

Mr [redacted] said the commission has been "too passive in its regulatory activity, and preoccupied with the prosecution and adjudication of securities abuse".

[redacted] report also recommends [redacted] responsibility for disciplining errant securities dealers be [redacted] from [redacted] Canada's Investment Dealers' Association, a securities industry group. Brokerage firms would be required [redacted] "fitness test". [redacted] registration system and other controls would [redacted] promoters.

The VSE [redacted] proposed [redacted] result in "a cumbersome, [redacted] and expensive system that shows [redacted] promise [redacted] addressing the market problems".

Mitel maintains turnround with C$7.9m

By Robert Gibbens in [redacted]

[redacted] strong recovery [redacted] Mitel, [redacted] manufacturer of PBXs, integrated circuits and telephone equipment that [redacted] formerly controlled by British Telecom, continued in the third quarter.

Profit for [redacted] three months [redacted] C$7.9m [redacted] or 7 [redacted] a share, up from C$1.4m, or 1 cent, [redacted] earlier [redacted] revenues [redacted] C$129m, [redacted] 15 [redacted]

Nine-month profit was C$15.9m, [redacted] cents, against a [redacted] of C$9.3m, or 15 cents, on [redacted] of C$351m, [redacted]

Strength in [redacted] December quarter [redacted] higher PBX sales in [redacted] US [redacted] rising demand for specialised circuits. Domestic [redacted] was also good, [redacted]

● Imperial Oil, [redacted] biggest [redacted] oil company, benefited from higher down[redacted] margins [redacted] higher pet[redacted] the fourth quarter.

However, [redacted] improvements were partly [redacted] by lower crude [redacted] prices [redacted] lower [redacted] profits.

Fourth-quarter net income was C$54m, or [redacted] cents, up [redacted] from C$51m, [redacted] 27 [redacted] a [redacted] revenues [redacted] C$2.1bn, down 7 per [redacted] profit [redacted] C$279m, [redacted] C$1.44, up [redacted] cent from C$195m [redacted] C$1.01. [redacted] C$8.9bn, down 8 per cent.

Imperial, [redacted] held by [redacted] US, has [redacted] C$1bn and [redacted] planning [redacted] acquisition, analysts say.

INTERNATIONAL CAPITAL MARKETS

Gilts recover their poise after post-auction dip

By Antonia Sharpe in London and Frank McGurty in New York

UK [illegible] bonds dipped immediately [illegible] the release of disappointing [illegible] the Bank of England's £2.75bn auction of stock due 2010 yesterday. However, they [illegible] their poise relatively quickly in [illegible] that the market's upward trend was still intact.

Analysts said that prices [illegible] supported by the positive outlook for inflation in the UK and the fact that the Bank was well ahead in its funding programme.

In addition, traders said they were confident [illegible] of yesterday's supply of gilts had gone straight into the hands of domestic [illegible] were unlikely to come [illegible] into the [illegible].

The [illegible] the auction was 1.21 times, which compared with market expectations of around [illegible] times, while the tail [illegible] two [illegible] points, above hopes of one [illegible] point or less.

The March long gilt future on Liffe fell as low as 118$\frac{22}{32}$ but by the end of the day it was trading around 119$\frac{1}{32}$, down [illegible] points on the day. By contrast, long-dated gilts fell around ¾ points.

■ More positive news on inflation and [illegible] hopes of [illegible] early [illegible] in interest [illegible] helped German government bonds [illegible] break their losing [illegible] yesterday.

The March bund future [illegible] rebounded from an intraday low of [illegible] to around 100.21 [illegible] in the afternoon, up [illegible] on [illegible] day.

Some analysts were encouraged that the March future had [illegible] back above [illegible] and they were confident that it would remain above [illegible] for the foreseeable [illegible].

However, they noted that most of the activity [illegible] in [illegible] futures [illegible] whereas [illegible] cash market [illegible] reasonably quiet.

GOVERNMENT BONDS

■ A disappointing reception [illegible] the Japanese ministry of [illegible] monthly [illegible] of 10-year government [illegible] kept the downward pressure on Japanese government [illegible] yesterday.

Although the [illegible] of the auction, at Y1,000bn, came in below the market's expectations [illegible] Y1,200bn and Y1,300bn, the coupon was set at 3.7 per cent as opposed to hopes of a coupon of 3.8 per [illegible].

As a result, the [illegible] was just 1.44 (which [illegible] said was the worst in recent history), [illegible] yield was 3.904 per cent and the lowest successful bid was at 3.958 per cent.

The March future dropped as low as 113.44 in Tokyo trading before closing at 113.60, down more than a point on the day.

[illegible] future [illegible] bounced back to around 114.20 in London but [illegible] warned that the [illegible] the market remained vulnerable due to persistent worries [illegible] supply and the likely re-allocation of [illegible] from [illegible] equities.

■ US [illegible] were firmer yesterday morning despite [illegible] ahead of the Treasury's afternoon auction of $12bn in new five-year [illegible].

By midday, the benchmark 30-year government bond was $\frac{5}{32}$ higher [illegible] 98$\frac{27}{32}$, with the yield slipping to 6.33 per [illegible]. At [illegible] short end [illegible] the yield curve, the two-year note inched $\frac{1}{32}$ forward to 99¾, to yield 4.115 per cent.

The session got off to a slow start, with a winter storm covering much of [illegible] with a [illegible] blanket of snow.

[illegible] traders who braved the inclement weather were content to allow prices in the long and intermediate segments of the yield curve to drift lower in very light trading. As activity picked up, however, the downward direction reversed, bringing slight gains to securities across the maturity range.

After a disappointing follow-through on Tuesday's sale of new two-year notes, [illegible] market [illegible] approaching today's auction with caution.

On a [illegible] basis, the five-year bond [illegible] yielding [illegible] cent [illegible] midday, but [illegible] participants were expecting it to back up to 5.125 per [illegible] the [illegible].

Building society launches FRN

By Conner Middelmann

The Eurobond market [illegible] two sterling floating-rate note [illegible] and several US [illegible] convertible bonds while [illegible] prepared for further large [illegible] coming days.

The [illegible] National & Provincial Building Society [illegible] £150m [illegible] five-year floating-rate notes paying [illegible] of three-month [illegible] plus 10 [illegible] points.

Most syndicate officials complained that the deal was too tightly priced, and [illegible] manager Goldman Sachs conceded that it [illegible] aggressive and would take [illegible] while [illegible] place.

"Considering [illegible] borrower's rating, the pricing [illegible] completely unjustified," [illegible] trader.

He pointed out [illegible] a [illegible] five-year [illegible] for the [illegible] Building Society yielded [illegible] points over Libor [illegible] price, in spite [illegible] its higher [illegible] rating.

Cheltenham & Gloucester [illegible] rated [illegible] by Moody's compared to National & Provincial's A1 rating. A five-year floater from A1-rated [illegible] & Bingley, [illegible] some three [illegible] ago, currently trades at 21 basis points above Libor, another [illegible] pointed out.

INTERNATIONAL BONDS

The day's [illegible] sterling floater, [illegible] for the Household Mortgage Corporation via [illegible] Brothers, [illegible] a slightly warmer reception. "It [illegible] tight, but fair," [illegible] syndicate official. [illegible] notes, which mature in March 2021 but are callable [illegible] 1997, [illegible] around [illegible] bid, slightly above their [illegible] re-offer price.

With nearly [illegible] maturing [illegible] year [illegible] another [illegible] of floaters with [illegible] floors likely [illegible] be called if short-term [illegible] fall below that level, traders are expecting heavy FRN issuance in comings months. Until more supply emerges, the redemptions are expected to generate strong demand for FRNs, especially from building societies, which are [illegible] buyers [illegible] this [illegible].

Elsewhere, the Brazilian power [illegible] Electrobras launched $150m of eight-year bonds via Nomura International. The bonds [illegible] be priced [illegible] Friday [illegible] yield spread [illegible] points over [illegible] Treasuries.

The [illegible] Transit Railway Corporation issued the first [illegible] Kong dollar range-floater [illegible] of two-year [illegible] Morgan Stanley. The [illegible] pay [illegible] three-month Hong Kong interbank [illegible] (Hibor) plus 1.25 per cent, on the days that the Hibor fixing falls within a specified range.

The market [illegible] saw three [illegible] bonds: $300m of 10-year bonds for Malaysia's United Engineers, $175m of six-year bonds for the Industrial Credit and Investment Corporation of India [illegible] of 10-year bonds for [illegible] Thai borrower Tanayong.

"This [illegible] classic convertible climate: with yields so low worldwide, they [illegible] coupon and the chance [illegible] gain on the equity side while stock markets are still so buoyant," said one dealer.

The Province of Ontario is [illegible] long-awaited US$1.5bn global floating-rate [illegible] today. They are expected [illegible] have a maturity [illegible] around [illegible] and [illegible] are calling for [illegible] yield spread [illegible] and 10 [illegible] points above Libor. The deal will be arranged by Lehman Brothers and Merrill Lynch.

Meanwhile, China is expected to issue its $1bn 10-year global bond in the middle of next week, with Merrill Lynch [illegible] lead [illegible] are expected [illegible] yield between 80 and 85 [illegible] points [illegible] the relevant US Treasury bond.

NEW INTERNATIONAL BOND ISSUES

Borrower	[illegible] m.	[illegible] %	[illegible]	[illegible]	[illegible] %	[illegible] bp	Book runner
US [illegible]							
Crédit National(a)‡	250	(a)	[illegible]	Feb.1997	[illegible]	-	CS First Boston
Utd.Engineers(Malaysia)(b)§	200	[illegible]	[illegible]	Mar.2004	[illegible]	-	Morgan Stanley Intl.
ICICI(c)§#	175	[illegible]	[illegible]	[illegible]	[illegible]	-	[illegible] Morgan Securities
Electrobras(d)	150	(d)	(d)R	Feb.2002	1.00R	+350 (d)	Nomura International
Tanayong(e)§	[illegible]	(3½–4)	100.00	[illegible]	[illegible]	-	Swiss Bank Corp.
CNCA(f)	100	zero	100.00R	[illegible]	[illegible]	-	IBJ International
Commonwealth Bk. Australia‡	100	[illegible]	[illegible]	[illegible]	[illegible]	-	Salomon Brothers Intl.
[illegible]							
First Austrian Bank	150	5.75	[illegible]	Mar.2001	[illegible]	-	[illegible]
STERLING							
National & Provincial(h)‡	150	(h)	99.93R	Feb.1999	0.15R	-	Goldman Sachs Intl.
HMC Mortgage Notes 11(i)‡	100	[illegible]	[illegible]	[illegible]	[illegible]	-	Lehman Brothers Intl.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon: 3-mth Libor flat. Callable on coupon dates from Feb.96 at par. b) Fixing next week. Conv prem 15-18%. Callable after [illegible] yrs, subject to 130% rule, at acreted value. Puttable in 5 yrs flat to Treasuries. Redemption proceeds linked to ringgit. c) Fixing approx 4/2/94. Conv prem 13-18%. Callable from 1/4/97 at par of which 1st 2 yrs are subject to 130% rule. d) Priced Friday. Spread is over interpolated yield curve. Puttable on 8/2/99 at T +350bp. e) Fixing ≤2/2/94. Conv prem 10-15%. Puttable on 1/3/99 at T + 100-200bp. Callable from 1/3/99, subject to 140% rule, at par +accrued. f) Redemption proceeds: par + 50% of gain in Hang Seng index. g) Coupon: 3-mth Libor +0.6%. Interest accrues on days 3-mth Libor falls within the following ranges: 1st 6 mths 0-3¾%, 2nd 6 mths 0-4.4%. h) Coupon: 3-mth Libor +0.1%. Callable on coupon dates from Feb.96 at par. i) Amortising issue. Coupon: 3-mth Libor +0.25%. Callable from Mar.97 at par.

Dunedin trusts issue commercial paper

By Tracy Corrigan

Two UK investment trusts managed by Dunedin Fund Managers have [illegible] commercial [illegible] for the first time.

The Edinburgh Investment Trust [illegible] signed a [illegible] programme, while Dunedin Income Growth Investment Trust [illegible] signed [illegible] programme, both arranged by [illegible] Capital [illegible].

Both will [illegible] the proceeds [illegible] lower borrowing [illegible] 50 [illegible] points, according [illegible] Mr David McCraw, [illegible] director of Dunedin Fund Managers.

The proceeds will [illegible] syndicated [illegible] which have been fully [illegible] and [illegible] in [illegible] UK [illegible] market.

"[illegible] that [illegible] programmes with their [illegible] credit ratings are [illegible] highly efficient means of gearing," Mr McCraw [illegible]. The programmes [illegible] rated A1+ by [illegible] Poors [illegible] P1 by Moody's.

■ Sumitomo Bank and [illegible] Chicago have [illegible] up a programme [illegible] repackaging [illegible] of European companies and selling them [illegible] investors, in the form of [illegible] backed [illegible].

So far, [illegible] of US commercial [illegible] has been issued through a conduit administered by First Chicago, but the potential size of the programme is [illegible].

Similar [illegible] already exist. For example, [illegible] has [illegible] vehicle for securitising corporate loans, called Thames Funding, which also [illegible] commercial [illegible] in the [illegible] market. However, Sumitomo [illegible] believed [illegible] the first Japanese bank [illegible] European [illegible] through the [illegible] commercial [illegible] market. Sumitomo and First Chicago already run a similar programme in the US [illegible] backed by US [illegible].

[illegible] of the [illegible] originated from investment-grade European companies or subsidiaries, many of whom are clients of Sumitomo.

More than 1bn futures contracts traded in 1993

By Tracy Corrigan

[illegible] trading of [illegible] and options on exchanges [illegible] 1bn [illegible] in [illegible] per [illegible] increase on 1992 volume, according [illegible] full-year figures [illegible] yesterday by [illegible] Futures Industry Association, [illegible] body for [illegible] industry.

However, the [illegible] of growth recorded by [illegible] exchanges was substantially lower than the 34 per cent gain recorded by exchanges [illegible].

Of [illegible] top [illegible] exchanges [illegible] world in 1993, only four were US-based, while four – [illegible] in London, [illegible] Matif in Paris, Germany's DTB [illegible] the London Metal Exchange – [illegible] European. However, the [illegible] growing exchanges [illegible] BM&F [illegible] Brazil, where volume [illegible] per cent [illegible] contracts, and Tiffe in Japan, where volume [illegible] in [illegible] contracts, [illegible] placed seventh and 10th respectively.

At the top of the table, [illegible] Chicago [illegible] of Trade [illegible] its [illegible] on [illegible] Chicago Mercantile Exchange, [illegible] 179m [illegible] 147m contracts respectively. In third place, Liffe's volume rose 35 per [illegible] to just [illegible].

FIA [illegible] figures [illegible] options on individual stocks.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	121.6100	+0.400	6.20	6.27	6.60
Belgium		7.250	04/04	105.1200	-	6.54	6.57	6.35
Canada*		7.500	12/03	107.6000	-0.050	6.44	6.37	6.57
Denmark		7.000	12/04	107.3500	-0.270	6.06	5.93	6.10
France	BTAN	8.000	05/98	110.7700	-0.010	5.12	5.09	6.04
	OAT	6.750	10/03	107.5800	+0.090	5.71	5.64	5.66
Germany		6.000	09/03	101.6500	+0.220	5.74	5.62	5.58
Italy		8.500	01/04	100.7600	-0.120	8.38†	8.36	8.47
Japan	No 119	4.800	06/99	108.5100	-0.970	2.97	2.72	2.43
	No 157	4.500	06/03	107.3700	-1.620	3.46	3.37	3.05
Netherlands		5.750	01/04	100.4400	+0.190	5.69	5.60	5.53
Spain		10.500	10/03	117.3000	-0.080	7.88	7.86	8.14
UK Gilts		9.750	01/98	114-01	-5/32	5.72	5.62	5.00
		6.750	11/04	104-02	-10/32	6.17	6.06	6.09
		9.000	10/08	123-10	-20/32	6.52	6.43	6.40
US Treasury*		5.750	08/03	100-04	-2/32	5.73	5.72	5.89
		6.250	08/23	99-26	+24/32	6.27	6.29	6.24
ECU (French Govt)		6.000	04/04	99.9800	-0.350	6.00	5.90	5.92

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m [illegible]

	Open	Sett price	[illegible]	High	Low	Est. vol	[illegible] int.
[illegible]	[illegible]	118.56	-0.05	118.83	[illegible]	35833	65335
[illegible]	[illegible]	118.77	[illegible]	118.95	[illegible]	880	3986

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Ecu

■ ECU BOND FUTURES (MATIF)

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

Japan

■ NOTIONAL LONG TERM [illegible] GOVT. BOND FUTURES (LIFFE)

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Wed Jan 26	Day's change %	Tue Jan 25	[illegible] interest	xd adj. ytd
1 [illegible] 5 years (25)	129.07	-0.06	129.14	1.36	1.23
2 [illegible] (21)	161.85	-0.31	162.34	1.68	1.48
3 Over 15 years [illegible]	168.59	-0.67	169.86	1.14	1.64
4 [illegible] (6)	227.98	-1.01	230.30	2.28	[illegible]
5 All [illegible]	186.50	-0.30	186.97	1.61	1.42

	— Low coupon yield — Jan 26	Jan 25	Yr. ago	— Medium coupon yield — Jan 26	Jan 25	Yr. ago	— High coupon yield — Jan 26	Jan 25	Yr. ago
5 yrs	5.67	5.64	6.59	5.90	5.87	[illegible]	6.00	5.97	7.26
15 [illegible]	[illegible]	6.34	6.23	6.50	6.43	[illegible]	6.70	6.65	9.05
[illegible]	[illegible]	6.44	[illegible]	6.54	6.47	6.91	6.72	6.68	7.38
Irred.†	6.61	6.53	7.38						

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

FT/ISMA INTERNATIONAL [illegible] SERVICE

UK GILTS PRICES

Other Fixed Interest

Honda said to be in talks with BAe about raising 20% holding

Rover sales above break-even

By John Griffiths

New vehicle sales by Rover Group, the British Aerospace subsidiary, rose by [illegible] per [illegible] [illegible] 442,745 [illegible] year – well [illegible] [illegible] level.

The increase, [illegible] [illegible] terday, underpinned the fore[illegible] made in September by Mr George Simpson, the outgoing chairman, that Rover would return to profit in 1993 after [illegible] consecutive years [illegible] [illegible].

However, Rover denied reports that it had already [illegible] firmed [illegible] would be disclosing [illegible] profit, [illegible] interest [illegible] tax, *as part of BAe's results* announcement on February [illegible].

Disclosure of the improved performance came [illegible] insiders [illegible] to both Rover [illegible] London and Honda in Tokyo indicated that the [illegible] companies were discussing [illegible] possible raising by Honda of its 20 per [illegible] equity [illegible] in Rover.

This, also, [illegible] been formally dismissed [illegible] speculation by both sides. However, it is understood that discussions have [illegible] going on [illegible] some *time although they* [illegible] *weeks,* and possibly months, [illegible] from [illegible] conclusion.

"There [illegible] obvious [illegible] [illegible] such an arrangement", [illegible] insider [illegible] [illegible] London [illegible] night. "It would free [illegible] capital for BAe and [illegible] the [illegible] of [illegible] floating off Rover [illegible] big[illegible] Honda stake would help keep [illegible] predators."

In Tokyo a Honda executive [illegible] "There are [illegible] [illegible] [illegible] can talk [illegible] yet . . . but the issue of our [illegible] in Rover is *something* [illegible] *are talking* about with BAe."

While total [illegible] to dealers [illegible] up 5 [illegible] [illegible] [illegible] 442,000 units, retail sales by dealers *rose* [illegible] *per cent* [illegible] *448,000 cars.*

"This performance [illegible] been achieved despite extremely difficult trading conditions throughout [illegible] world," said Mr John Towers, Rover's group managing director.

Rover's last profit [illegible] £65m before [illegible] and interest was in 1990.

Within the sales total, the contribution of [illegible] Land Rover four-wheel-drive subsidiary leapt by 30 [illegible] cent to [illegible] record 73,527.

Total export [illegible] rose 17 per cent to [illegible] [illegible] [illegible] in [illegible] Europe rose by 8 per cent, despite the new car market [illegible] [illegible] whole falling by 15 [illegible] cent, *making Rover the* only [illegible] manufacturer to [illegible] [illegible] on [illegible] Continent [illegible] year. Its [illegible] in France, Spain [illegible] Portugal also [illegible] record levels.

Bain Clarkson venture in Vietnam

By Richard Lapper

Bain Clarkson, [illegible] international insurance broker [illegible] is part of Inchcape, *yesterday* announced a [illegible] joint venture in Vietnam, becoming the [illegible] [illegible] broker to [illegible] [illegible] [illegible] [illegible] country.

The deal follows [illegible] [illegible] the heels of the announcement earlier this [illegible] of [illegible] [illegible] [illegible] of the [illegible] market, [illegible] dominated by Baoviet, [illegible] state-owned [illegible] company.

Bain Clarkson, which already operates [illegible] 11 [illegible] countries [illegible] east Asia, [illegible] [illegible] ting up [illegible] 50:50 joint [illegible] [illegible] its Inchcape *Insurance* Holdings (Hong Kong) subsidiary [illegible] Baoviet. [illegible] partner [illegible] invest $125,000 (£83,000) in the new [illegible], Inchinbrok, which will operate initially from [illegible] [illegible] Ho Chi Minh City.

[illegible] will provide [illegible] first [illegible] [illegible] broking service in Vietnam, focusing on arranging commercial [illegible] [illegible] financial [illegible] vices for multinationals investing in the country.

It will place business [illegible] [illegible] [illegible] [illegible] *other* insurance companies. [illegible] [illegible] under[illegible] [illegible] [illegible] Japanese [illegible] panies – [illegible] Fire [illegible] Marine, [illegible] Fire [illegible] Marine, [illegible] [illegible] [illegible] [illegible] [illegible] Mitsui [illegible] and [illegible] – [illegible] been given permission to open representative offices, [illegible] [illegible] opening [illegible] [illegible] at [illegible] end [illegible] [illegible] [illegible].

"As [illegible] [illegible] fully [illegible] insurance broker we will [illegible] competition [illegible] insurers [illegible] [illegible] [illegible] cli[illegible] companies [illegible] expand [illegible] [illegible] *as more operations* elect [illegible] insure." said Mr Simon Arnold, chairman.

Wm Low shares hit as sales and margins fall

By Neil Buckley

Shares in [illegible] Low dropped 17p [illegible] *174p yesterday* [illegible] [illegible] Dundee-based grocery chain said growing price competition had pushed [illegible] like-for-like [illegible] [illegible] [illegible] margins down, [illegible] it [illegible] cutting [illegible] jobs.

[illegible] Philip Spicer, chief [illegible] tive, [illegible] [illegible] [illegible] the [illegible] 20 [illegible] [illegible] financial year had increased by 3.1 per cent, but excluding [illegible] openings [illegible] closures [illegible] [illegible] down 1.5 [illegible] [illegible]. Turnover [illegible] Christ[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] a [illegible] overall pattern.

[illegible] [illegible] that [illegible] group [illegible] "cautious" about profits [illegible] [illegible] [illegible] year, and [illegible] adopting cost-cutting programmes including compulsory redun[illegible] [illegible] [illegible] levels.

"I've [illegible] in [illegible] *retailing for* 30 years, [illegible] [illegible] [illegible] one [illegible] [illegible] toughest years I have known," he said.

He said the rapid expansion of Shoprite, [illegible] Isle of Man[illegible] discount chain which operates mainly in Scotland, as well [illegible] price promotions by national superstore groups, [illegible] forced a reduction in gross margins to compete.

[illegible] industry [illegible] also hin[illegible] by [illegible] low inflation - with price [illegible] in some product areas.

Mr Spicer said although the [illegible] had [illegible] lost many [illegible] directly to Shoprite, [illegible] [illegible] [illegible] the market [illegible] [illegible] a [illegible] [illegible].

Moreover, while Sainsbury, [illegible] [illegible] [illegible] grocer, had only [illegible] superstores in [illegible] land, its price campaign *launched in November* had forced other competitors to respond, which in turn had put pressure on Wm Low.

Mr Spicer said there was evidence of "more realism" in pricing since the new year. He added that the company was continuing to close older, smaller stores leaving it with more efficient larger superstores, and more savings would come from extending scanning into the 50 per cent of stores where it had not been introduced.

Wm Low's statement is one of the starkest pieces of evidence yet of the increasing pressures in the grocery market. Tesco, *the UK's second* largest grocer, said last week it was cutting back its store opening programme and its gross margins had fallen as a result of price competition.

Hobson £0.54m in the red

Hobson, which on Tuesday responded to "[illegible] significant rise" in [illegible] [illegible] price by announcing that it was "in negotiations for [illegible] acquisition [illegible] [illegible] very substantial business", yesterday revealed increased [illegible] for the [illegible] months [illegible] September 30.

The [illegible] fell ½p to 20½p, having risen from 17p on January 20.

The USM-quoted company which has [illegible] from [illegible] personal care business, [illegible] [illegible] before and after tax [illegible] from [illegible] [illegible] [illegible] largely as [illegible] result of operating losses in the [illegible]tinued division rising from £6,000 [illegible] £506,000 on turnover down [illegible] £713,000 [illegible] £434,000.

[illegible] [illegible] now [illegible] with [illegible] household products [illegible] com[illegible] trading operations.

[illegible] [illegible] [illegible] [illegible] [illegible] former made £51,000 on turnover [illegible] £398,000 while profits for [illegible] [illegible] fell [illegible] £12,000 [illegible] on turnover reduced [illegible] *£792,000 (£2.37m).*

[illegible] per [illegible] emerged at [illegible] (0.02p).

Small companies lead growth

By [illegible] Hollinger

Small companies returned [illegible] the buy list with [illegible] [illegible] [illegible] year, *significantly outperforming* [illegible] FT-SE-A All-Share Index for [illegible] first time in [illegible] years, to record their highest gains [illegible] 1977.

They gave [illegible] [illegible] return [illegible] [illegible] [illegible] [illegible] in 1993, [illegible] [illegible] [illegible] [illegible] higher than [illegible] [illegible] [illegible] [illegible] [illegible] year, according to [illegible] Hoare Govett Smaller Companies Index. The HGSCI, published yesterday, [illegible] [illegible] bottom tenth by value of the main UK equity market – companies *with capitalisations of less* than £318m.

The index showed the race was won by the very smallest companies, the bottom 1,000 by value, which ended the year with total returns more than 60 per cent higher.

Property companies led [illegible] field, rising 85 [illegible] cent [illegible] a [illegible] per [illegible] decline in [illegible].

The attraction for smaller companies appears to have [illegible] fuelled by interest [illegible] investment trusts. Versions of the index excluding invest[illegible] [illegible] underperformed by [illegible] than two percentage points.

Fewer companies went [illegible] receivership with just 17 companies becoming valueless against [illegible] last time. Some 313 [illegible] [illegible] doubled [illegible] value during [illegible] year.

See Lex

OFT talks halt TV bid clock

The [illegible] for [illegible] future [illegible] London Weekend Television may [illegible] [illegible] [illegible] [illegible] until the beginning of March, [illegible] Raymond Snoddy.

Yesterday [illegible] have [illegible] Granada's final [illegible] of [illegible] [illegible] of [illegible] [illegible] [illegible] for [illegible] LWT [illegible] but [illegible] [illegible] continuing [illegible] [illegible] [illegible] [illegible] Fair Trading [illegible] [illegible] *takeover* clock stopped.

[illegible] OFT [illegible] exploring [illegible] all parties involved [illegible] the future shape of advertising [illegible] houses, owned or influ[illegible] by Granada or LWT, should be.

Granada owns [illegible] [illegible] [illegible] [illegible] stake in The Time Exchange which sells airtime for Granada, Scottish, Border and Ulster. LWT owns Laser which *sells airtime for LWT and* Yorkshire-Tyne Tees.

If the [illegible] were [illegible] [illegible] would amount [illegible] [illegible] [illegible] per cent share of the market.

It may be [illegible] late [illegible] February [illegible] before the issue [illegible] resolved between the OFT and the Department of Trade and Industry and the takeover clock starts ticking.

Once [illegible] clock [illegible] started again LWT will have two days [illegible] *put out any* [illegible] *information* and then the final closing date would follow 21 days after [illegible].

Hogg Group profits warning

By [illegible] Lapper

[illegible] in Hogg Group, [illegible] insurance broker, [illegible] [illegible] to [illegible] yesterday [illegible] [illegible] company warned of a decline in profits for 1993.

The [illegible] estimated [illegible] pre-tax profits in the year will fall by more than 50 per cent to £6m, against £13.4m [illegible] 1992, with an unexpectedly poor performance by [illegible] US [illegible] *mainly responsible.*

[illegible] Anthony Howland-Jackson, [illegible] [illegible] chief executive, said the final dividend would be cut to 2.5p, reducing [illegible] [illegible] [illegible] [illegible] [illegible] from 5.15p to 5.65p.

Hogg [illegible] [illegible] from managing Lloyd's agencies [illegible] [illegible] Downs & Burke fine [illegible] and jewellery [illegible], and expects profits from continuing business to fall from £10.1m to £7.3m.

Hogg Robinson, the US broking and benefits division, [illegible] its profits [illegible] by [illegible]. "New business was not sufficient to offset the effect of rate reductions in the renewable portfolio, reduced contingency commissions and lost business. The group's medical third-party administration division lost money, reflecting the depressed state of the medical insurance market. The group has formed a new alliance with Emperion, a provider of administrative services in the area, in a bid to improve efficiency.

Hogg's insurance marketing services division in the UK is also expected to see a fall in profits – by about £800,000, reflecting the impact of internal reorganisation. Profits from reinsurance and group investment are also expected to fall, by £400,000 and £1.7m respectively.

Losses at Downs & Burke amounted to £1.3m. According to Mr Howland-Jackson, the market in which the broker operated collapsed. Hogg's Lloyd's [illegible], which contributed £1.6m to profits in 1992, were divested in 1993.

Happy Christmas for Next

By Catherine Milton

Next, [illegible] high [illegible] [illegible] retailer, [illegible] [illegible] [illegible] [illegible] of strong [illegible] spending [illegible] the Christmas season, reporting [illegible] second half sales in [illegible] year [illegible] January 31 were expected to be 18 per cent ahead of [illegible] previous year.

"At [illegible] [illegible] year results [illegible] September 25 [illegible] reported [illegible] [illegible] [illegible] 10 [illegible] cent up at that point in the second half in both Next [illegible] and Next Directory, compared [illegible] [illegible] year," said Mr [illegible] Jones, chief [illegible].

"Retail is now up to 18 per [illegible] for [illegible] whole six months and Directory has come down a shade to 9 per cent. By implication we had a very good run up to Christmas at Next Retail."

Mr Jones said that the like-for-like increase was about 17 per cent for the second half with new space accounting for about 1 percentage point of the rise. Volumes rose about 15 per cent or 16 per cent for the second half.

The company said the estimates for the second half meant the sales rise for the full year was expected to be 17 per cent in Next Retail and 9 per cent in Next Directory.

Analysts raised their pre-tax profit forecasts for the full year from about £66m to £70m.

Danka doubled at £22m for nine months

Acquisitions helped Danka Business Systems, the office equipment supplier, which operates mainly in [illegible] US, virtually double pre-tax profits from £11.6m to £23.1m for the nine months to [illegible] 31.

Sales were £233.6m (£127.5m).

Mr [illegible] Doyle, chief executive, said that "the company will continue [illegible] search for strategic acquisitions [illegible] [illegible] [illegible] regional centres in [illegible] geographic areas".

So far this year, Danka has spent more than £45m on acquisitions. Earnings in the third quarter [illegible] held back by higher tax [illegible] remained steady at 2.9p.

DIVIDENDS [illegible]

		Current payment	Date [illegible] payment	Corres - ponding [illegible]	Total for [illegible]	Total last year
Bullough	fin	4.3	Apr 6	4.3	6.05	6.05
Murray Split Cap	int	2.65‡	Apr 1	2.65	-	10.6
Smith (WH) A	int	5	Apr 1	4.3	-	14.2
Sphere [illegible]	fin	1.15‡‡	[illegible] 28	0.85	3.4	3.1

Dividends shown pence per share net except where otherwise stated. ‡First interim. ‡‡Fourth interim.

PUBLIC NOTICE

SLOUGH ELECTRICITY SUPPLIES LIMITED

Notice under Section 6(3) of the Electricity Act 1989

Take notice that Slough Electricity Supplies Limited has applied for an extension to a Private Electricity Supply Licence granted on 26th March 1991 in the following terms:

1. Full name of applicant: Slough Electricity Supplies Limited
2. Address of applicant, or in the case of a body corporate the registered or principal office: 234 Bath Road, Slough, Berkshire, SL1 4EE.
3. Where the applicant is a Company, the full name of the current Directors and the Company's registered number: Sir Nigel Mobbs, Roger William Carey, Derek Robert Wilson, Hugh Lindsay Thomson, David Edmond Frederick Simons, Philip Norman Jackson. Registered Number 2474514.
4. Where a holding of 20% or more of the shares of an applicant is held by a body corporate or partnership or an unincorporated association carrying on a trade or business with or without a view to profit, the name(s) and address(es) of the holder(s) of such shares shall be provided: All the shares of the applicant are beneficially owned by Slough Estates plc, 234 Bath Road, Slough, Berks, SL1 4EE.
5. Desired Date from which the licence is to take effect: 1st April 1994.
6. A sufficient description adequately specifying the nature and situation of the premises intended to be supplied, separately identifying premises within the power bands specified in and to the extent provided by paragraph 7 below: All premises other than those which, during the franchise period, have a maximum demand at or less than the franchise limit, in the authorised areas of the following Public Electricity Companies, together with such premises as may, from time to time, be specified by the Director (with the approval of the Secretary of State) for the purposes of paragraph 5 of Condition 2 of our Second Tier Supply Licence.

   Eastern Electricity plc, East Midlands Electricity plc, London Electricity plc, Manweb plc, Midlands Electricity plc, Northern Electric plc, NORWEB plc, Seeboard plc, Southern Electric plc, South Wales Electricity plc, South Western Electricity plc and Yorkshire Electricity Group plc.
7. (a) Subject to sub-paragraph (b) indicate the total number of premises intended to be supplied in each power band as shown in the table below, together with the aggregate energy forecast to be supplied and the aggregate estimated maximum demand for each power band.

   (b) If the date in paragraph 5 is on or after 1st April 1994 then only Power Band A shall be completed and if the said date is on or after 1st April 1998 then this paragraph shall cease to have effect.

Power Band	[illegible] of [illegible]	Aggregate Maximum Demand	Energy (GWh) to be Supplied
[illegible] Not exceeding 0.1 MW : NONE			
[illegible] Exceeding 0.1 MW but not exceeding 1.0 MW :			

8. A description of the system of electric lines and electrical [illegible] by means of which the applicant intends to supply electricity, indicating which plant and lines are to be constructed and which are existing plant and lines, and further identifying any parts of that system which will not be owned by or otherwise in the possession or control of the applicant: Lines and plant owned by: Eastern Electricity plc, East Midlands Electricity plc, London Electricity plc, Manweb plc, Midlands Electricity plc, Northern Electric plc, NORWEB plc, Seeboard plc, Southern Electric plc, South Wales Electricity plc, South Western Electricity plc, Yorkshire Electricity Group plc and the National Grid Company plc.
9. A statement of extent (if any) to which the applicant considers it necessary for powers under Schedule 3 (compulsory acquisition of land etc) and under Schedule 4 (other powers etc) to the Act to be given through the licence for which he is applying: Powers already included in our existing Licence.
10. Details of any licences held, applied for or being applied for by the applicant in respect of the generation, transmission or supply of electricity: Private Electricity Supply Licence No L/OF/018/215

Philip N Jackson, Director (Dr).

NOTE: In compliance with the Electricity (Applications for Licences and Extensions of Licences) Order 1990, maps relevant to the above application have previously been lodged at Regional offices of the Office [illegible] Electricity Regulation. Copies are available for inspection by the public between 10 a.m. and 4 p.m. on any working day.

LEGAL NOTICES

[illegible] THE [illegible] OF [illegible] [illegible] LIMITED and IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of [illegible] High Court of Justice [illegible] Division) dated 1st December 1993 confirming the reduction of the capital of the above-named Company from £14,051,00 to £20,000 and of the reduction [illegible] the share [illegible] account of the Company by £3,421,000 [illegible] Minute approved by the Court showing with respect to the [illegible] [illegible] the *Company as altered the several particulars* required by the above-mentioned Act were registered by the Registrar of Companies on 12th January 1994.

Dated this 26th Day of January 1994

Denton Hall, Five Chancery Lane, Clifford's Inn, London EC4A 1BU

Ref: CST/AZB Tel: 071 242 1212

Solicitors to the above [illegible] Company

[illegible] OF [illegible] OF ADMINISTRATIVE RECEIVERS

Name of Companies: [illegible] Welding Supplies Limited, Tech-Weld Engineering Services *Limited. Registered* [illegible] 1312527 and [illegible] Trade classification: 15. [illegible] and address of joint administrative receivers: David John Sukes and Michael Joseph Moore, Coopers & Lybrand, 1 East Parade, Sheffield, S1 2ET. Office holder numbers 2682 and 5791. Date of appointment: 18 January 1994. [illegible] [illegible] appointer: [illegible] [illegible] Bank PLC.

[illegible] in England and Wales

1/2 hour period ending	[illegible] purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.85	18.17	18.17
0100	22.96	27.44	29.08
0130	22.98	40.00	41.64
0200	22.98	40.00	41.64
0230	22.98	36.36	37.98
0300	22.98	27.44	29.08
0330	22.98	26.01	27.65
0400	22.98	21.96	23.60
0430	17.88	21.96	23.60
0500	17.82	20.56	22.20
0530	20.61	20.24	21.88
0600	20.53	20.24	21.88
0630	20.53	20.35	21.99
0700	20.56	20.36	21.99
0730	21.32	20.24	21.88
0800	21.15	20.24	21.88
0830	21.15	20.24	21.88
0900	22.81	21 [illegible]	23.30
0930	26.47	20.[illegible]	24.79
1000	26.47	[illegible]	23.30
1030	26.47	23.72	25.37
1100	22.81	[illegible]	28.80
1130	26.47	[illegible]	26.80
1200	26.47	25.16	26.80
1230	22.81	[illegible]	26.80
1300	22.80	25.16	26.80
1330	21.92	[illegible]	26.80
1400	21.15	23.72	25.37
1430	21.15	[illegible]	25.37
1500	21.15	23.72	25.37
1530	21.15	23.72	25.37
1600	23.13	27.80	29.25
1630	26.09	25.27	26.92
1700	32.82	35.42	37.07
1730	43.63	40.00	41.64
1800	43.63	40.00	41.64
1830	30.98	28.01	29.66
1900	27.04	28.95	28.60
1930	25.79	25.68	27.32
2000	23.12	25.27	26.92
2030	27.92	24.48	26.12
2100	21.15	24.48	26.12
2130	21.15	24.48	26.12
2200	20.95	21.87	23.51
2230	21.15	21.87	[illegible]
2300	17.85	18.05	18.05
2330	17.78	18.03	18.03
2400	17.76	18.00	[illegible]

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.60/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by [illegible] Settlements and Information Services Limited. [illegible] wishing to receive [illegible] information should [illegible] 0602 [illegible] [illegible] 8.30am and 5.15pm Monday to Friday. ©Energy Settlements and Information Services Limited

COMPANY NEWS: UK

Bullough beats expectations with £9.18m

By Paul Taylor

Bullough, [illegible] office products and refrigeration group, yesterday reported an [illegible] full year [illegible] reflecting sharply improved operating profits partly [illegible] by higher restructuring charges [illegible].

[illegible] in [illegible] year to October 31 increased [illegible] from a [illegible] in the previous year when, under FRS 3, profits [illegible] by a [illegible] loss on the sale of discontinued operations.

The pre-tax line was struck [illegible] first-half restructuring costs [illegible] £4.67m (£3.32m).

The results were [illegible] of market expectations and the shares, which have risen sharply since [illegible] when they [illegible] at 124p, gained a further 14p [illegible] close at 186p.

Turnover slipped slightly [illegible] but operating profits jumped by 21 [illegible] cent [illegible] £15.3m (£12.7m) [illegible] the group's divisions improv[illegible] their contributions slightly.

Refrigeration and [illegible] turnover [illegible] but operating profits rose only slightly [illegible] £5.75m (£5.66m) reflecting increased competition and [illegible] margins.

Heating [illegible] turnover [illegible] also higher at £35.1m (£31.6m) [illegible] operating profits [illegible] (£3.48m), partly helped by [illegible] to the [illegible] restructured Reznor [illegible] in Belgium.

The office products [illegible] managed [illegible] £628,000 profit following [illegible] £738,000 [illegible] the previous [illegible] on turnover which [illegible] (£104.4m).

Within the division, Atal's sales fell by [illegible] per cent and the [illegible] business underwent a substantial restructuring [illegible] result of which [illegible] is [illegible] to [illegible] to the [illegible] this year. [illegible] Project's [illegible] were [illegible] lower and [illegible] on margins resulted [illegible] a significant drop in profits.

Net interest [illegible] £1.5m [illegible], mainly because of [illegible] movements and [illegible] interest rates on the [illegible] deposits.

However, [illegible] borrowings [illegible] from £15.3m [illegible] reflecting the group's strongly positive net cash flow.

Earnings per share fell [illegible] 3.07p (4.57p) following a substantially higher [illegible] charge because losses [illegible] relieved against profits [illegible] in [illegible] UK. The final dividend [illegible] at 4.3p, making an unchanged [illegible] for [illegible] year of 6.05p.

Gordon Bond: appointment [illegible] market confidence

COMMENT

The outlook for Bullough [illegible] a great [illegible] brighter than [illegible] ago and [illegible] confidence [illegible] been further boosted by [illegible] appointment [illegible] Mr Gordon Bond as [illegible] executive. Having dealt with [illegible] French office products business [illegible] immediate [illegible] will be [illegible] arrest Project's sliding profits in the UK and to try to [illegible] anaemic margins elsewhere. This [illegible] will [illegible] lower, [illegible] should return to [illegible] usual levels, and any further restructuring [illegible] less [illegible] per cent [illegible] operating earnings. Pre-tax profits [illegible] £16.5m, producing earnings [illegible] about [illegible] this year, [illegible] the [illegible] run-up in the [illegible] price [illegible] they are trading on a prospective p/e [illegible] 21.2 [illegible] have limited [illegible] potential.

Nationwide takes over at Quality Street

By James Buxton, Scottish Correspondent

Quality [illegible] the Glasgow-based company which owns [illegible] manages private [illegible] housing in [illegible] parts [illegible] Britain, has brought in the Nationwide Building Society [illegible] its majority shareholder in a restructuring which it said [illegible] it a stable [illegible] for growth.

The Nationwide [illegible] converted £50m of lending to Quality Street into non-voting preference [illegible] and [illegible] controls [illegible] per cent of the company, with [illegible] rest held mainly by Mr Paul Mugnaioni, chairman, and [illegible] management.

Quality [illegible] will also take over the management of about [illegible] repossessed by the society. They will be brought into the private rented [illegible] using [illegible] expansion scheme funds recently raised by Nationwide. Quality Street [illegible] Nationwide's main [illegible] in rented housing.

Nationwide [illegible] of Quality Street's equity when it [illegible] formed in 1988 and earmarked funds to finance [illegible] properties. In [illegible] it sold [illegible] equity [illegible] Mr Mugnaioni and another director [illegible] continued [illegible] lend to it.

Quality Street [illegible] about 3,000 properties [illegible] which it owns [illegible] and [illegible] as a "blue-chip" private landlord. But [illegible] for the [illegible] to March 31 1993, published yesterday, showed a [illegible] of [illegible] mainly [illegible] of [illegible] fall in property [illegible].

Although the company made an operating profit of [illegible] (£5m) thanks [illegible] rental income, [illegible] became a pre-tax [illegible] (£9.4m) [illegible] a property write-down [illegible] £18m and additional interest and redemption premiums on loans from Nationwide.

[illegible] a result of [illegible] new [illegible] has been under negotiation [illegible] last summer, Quality [illegible] to Nationwide falls from [illegible] to [illegible] in the pro [illegible] balance [illegible] a surplus [illegible] into [illegible].

[illegible] remaining [illegible] Street [illegible] and [illegible] will join Quality Street's [illegible].

Float likely to put £75m value on Goldsborough

[illegible] Maggie Urry

Next month's flotation of Goldsborough Healthcare, the nursing homes, acute hospitals [illegible] homecare [illegible] provider, is expected to value the [illegible] about [illegible].

Goldsborough's pathfinder prospectus, issued yesterday, showed a pre-interest profit of [illegible] in [illegible] 3, up from £2.5m. Turnover was £30.1m (£27.1m).

However, Goldsborough said on a pro forma basis, including acquisitions [illegible] year for a full 12 months, operating profits from continuing operations would have been £6m on turnover of £35m.

Goldsborough [illegible] 26 [illegible] homes, with 1,238 beds, [illegible] hospitals, one of which [illegible] a joint venture, and 30 [illegible] branches. [illegible] Graham Smith, chief executive, said that dif[illegible] the [illegible] from others as it could meet [illegible] of a [illegible] of clients and take advantage [illegible] developments in the healthcare [illegible].

Although the float [illegible] likely to raise about [illegible] in cash, with 65 [illegible] cent of the [illegible] being placed with [illegible] and the [illegible] to the public, only [illegible] will go to the company, cutting debt [illegible] £7.5m, while shareholders' [illegible] will be [illegible].

Kunick, [illegible] amusement machines company which holds a 50 per cent stake in Goldsborough, is to sell all its shares. The proceeds will "significantly exceed" net book value [illegible] £18.3m. Kunick shares rose 1p to 16½p.

NatWest Ventures, which has a 40 per [illegible] bought in 1992 for £10m, will sell part of its holding, keeping 10 [illegible] the enlarged capital, [illegible] Phoenix Fund Managers' 10 per [illegible] stake [illegible] be diluted to about [illegible] cent. Management [illegible] hold about [illegible] flotation.

SG Warburg is sponsor [illegible] the issue and SG Warburg [illegible] is broker. Pricing is [illegible] February 17, with the offer closing [illegible] February 24. Dealings are expected [illegible] begin on March [illegible].

Trifast pathfinder sees £2.55m for year

By Andrew Baxter

Trifast, the Sussex-based industrial fastener group which is coming [illegible] market [illegible] month, expects pre-tax profits [illegible] for [illegible] to [illegible] 31, compared with £1.98m, according [illegible] the pathfinder prospectus [illegible] yesterday.

The [illegible] which [illegible] factures [illegible] distributes [illegible] ers under [illegible] TR Fastenings [illegible] name, [illegible] a listing through a placing which will value [illegible] and £30m.

Trifast said earlier this month [illegible] the placing was expected to [illegible] about £15m. About two [illegible] that will [illegible] the company's [illegible] found[illegible] Mr Mike Timms and Mr Mike Roberts who [illegible] reducing their 90 per cent [illegible] to between 30 per cent and [illegible] per cent. This would [illegible] between £3m and £4m for the company.

Trifast said that the listing would give the company [illegible] a wider capital market. The proceeds would provide it with additional [illegible] finance growth as well as repaying debt [illegible] strengthen the balance [illegible] help the company make appropriate acquisitions.

The [illegible] the placing, which is being sponsored by [illegible] Capel, is expected on February [illegible] with dealings beginning on February 16.

Sun Life new single premiums top £2bn

[illegible]

Sun Life yesterday said that [illegible] single premium [illegible] exceeded [illegible] for the first time.

Announcing its [illegible] figures [illegible] insurance group said [illegible] increase to £2.2bn represented a [illegible] of almost [illegible] per [illegible] the [illegible] figure [illegible] £1.4bn.

[illegible] regular premium business [illegible] by [illegible] from £86m [illegible] £107m over [illegible] year.

Mr John Reeve, managing director, [illegible] but sought [illegible] play down expec[illegible] for [illegible].

"Our new [illegible] than doubled [illegible] the last three years, which is well beyond [illegible] performance [illegible] the [illegible] whole: our immediate focus is now [illegible] consolidation at the new levels achieved," he said.

Total new premiums in [illegible] rose by [illegible] cent to £2.3bn, but the [illegible] said [illegible] indicator [illegible] performance [illegible] the [illegible] per [illegible] in new business [illegible] new regular premiums [illegible] tenth of new single premiums.

The [illegible] despite falls [illegible] business from both single [illegible] regular premium final salary [illegible] purchase [illegible].

[illegible] premium income in [illegible] Provident, [illegible] mutually-owned life [illegible] pen[illegible] group, [illegible] the [illegible] market [illegible] single premium business.

The [illegible] in [illegible] single premium income [illegible] £518m (£392m) [illegible] than [illegible] fall in [illegible] annual premium income [illegible] £93m (£115m).

New rules considered for research listings

By Tim Burt

Changes [illegible] being [illegible] to the [illegible] listing [illegible] for sci[illegible] research companies [illegible] than [illegible] months [illegible] they came into force, [illegible] Exchange [illegible] yesterday.

A working party [illegible] by [illegible] Exchange [illegible] for [illegible] today [illegible] that [illegible] rules, which [illegible] on [illegible] 1, place [illegible] research [illegible].

Many [illegible] Britain's newly [illegible] bio-technology compa[illegible] to regard [illegible] rules, first published in [illegible] revised Yellow Book last September, as over-burdensome.

Although [illegible] rules enable scientific companies [illegible] raise money without a significant trading record, a minimum [illegible] is [illegible] after flotation [illegible] capital [illegible].

Restrictions [illegible] disposals by [illegible] and [illegible] capital [illegible] have also prompted complaints.

Acknowledging "problems associated with [illegible] lock-in [illegible] promoters, directors and senior employees", [illegible] Exchange said the working party would decide [illegible] rules [illegible] unfair.

[illegible] by Mr [illegible] Richards, chairman [illegible] British [illegible]nology, [illegible] working party is expected [illegible] review the require[illegible] independent reports on a company's viability. It would [illegible] the criteria companies must [illegible] before they [illegible] a listing.

[illegible] are not expected [illegible] published before spring [illegible] the [illegible].

IN BRIEF

CAKEBREAD [illegible] has exchanged contracts for the sale of land at Enfield for [illegible] will [illegible] used [illegible] borrowings.

DANKA BUSINESS Systems, through [illegible] UK subsidiary, Danka UK, [illegible] acquired [illegible] photocopying interests [illegible] Images, [illegible] supplies a full [illegible] of equipment from Toshiba [illegible] Canon. [illegible] cash.

ELLIOTT (B), the electrical and [illegible] engineer, [illegible] acquired the business and assets, including [illegible] erty, from the liquidator [illegible] John Hall (Oldham) for £367,250 cash. Stock [illegible] the value of £15,750 was also acquired.

[illegible] has [illegible] Road Signs-Franco for £370,000 [illegible] a joint venture company which [illegible] owned by Ringway Signs and Pathfinder Traffic Signs.

LOVELL (YJ): Applications [illegible] open offer received in respect of 210.64m [illegible] ordinary [illegible] (67 per cent).

COMPANY NEWS: UK

In search of some sweetener

Robert Taylor on why a US union will attend Tate & Lyle's AGM

T[illegible] & Lyle [illegible] a public challenge from the US labour movement at the sugar and [illegible] group's annual meeting in London's Barbican centre today.

Seven US labour leaders, armed with proxies, plan [illegible] attend the AGM to publicise what they call "unfair and *reckless" labour practices at* AE Staley, the multinational's subsidiary in Decatur, Illinois.

Staley, accusing its employ[illegible] of sabotage, [illegible] out all 760 workers at [illegible] processing plant at [illegible] on June 27. The workers have been picketing the plant [illegible] since.

Temporary sub-contract *workers have been hired* [illegible] help management continue production but union officials claim Tate has lost orders.

"The company's flat earnings report for last year is related to its failed management policies *in the US," said Mr Dave* Watts, local president of the United Paperworkers union, yesterday. In the year to end-September the company [illegible] pre-tax profits of £269.6m, against £237.4m.

Citing global competitive pressures for needing sweeping change, Staley wants [illegible] employment contracts that the union claims will undermine their members' living standards.

[illegible] argues that [illegible] *imposed* package includes [illegible] 20 [illegible] workers' average annual pay of *about* [illegible] *(£20,000)* through [illegible] introduction [illegible] compulsory [illegible] hour shifts without any bonuses; [illegible] end [illegible] seniority rights in work deployment; and abolition [illegible] the plant's grievance and arbi*tration procedures.*

Earlier this week the union delegation met Mr Neil Shaw, Tate's executive chairman, and they hope this may help resolve the conflict.

"We will not go away", [illegible] Mr Watts, "If the company [illegible] rational it should talk to [illegible] and reach an honourable, [illegible]tiated settlement. Our members are *suffering* real pain but so [illegible] Staley." Tate [illegible] yesterday it would not comment until *today's* annual meeting.

Tate has said in the past that it [illegible] not [illegible] anti-union [illegible]pany and [illegible] Decatur lock-out was a matter for the local management [illegible] resolve. But the [illegible] has recently suffered from [illegible] labour relations elsewhere in the US.

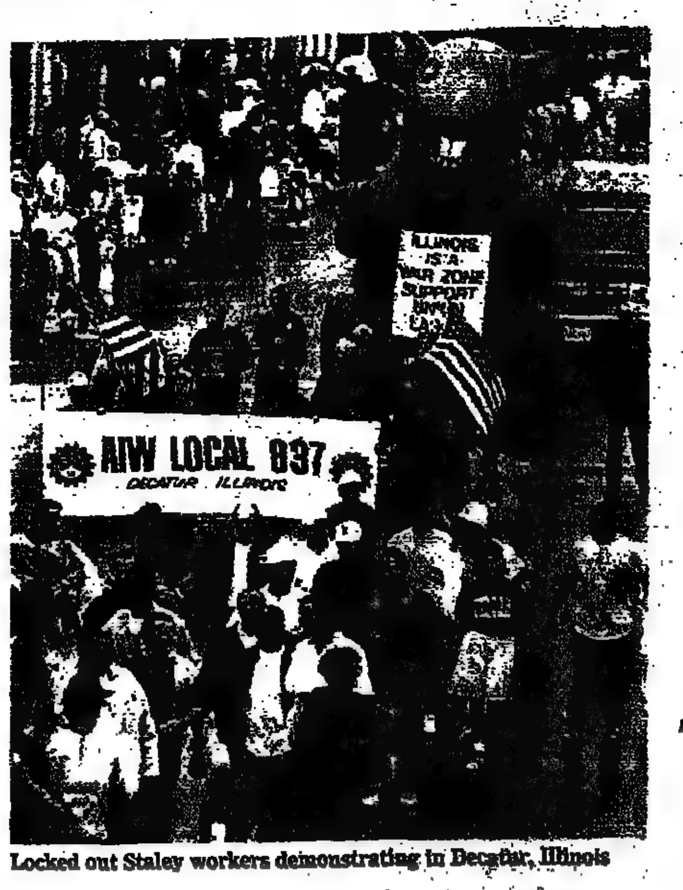
[illegible] endured [illegible] five-*month strike at its* [illegible] refinery in [illegible] York [illegible] the union claims [illegible] company £4m.

"We [illegible] Tate management could boost profits substantially at Staley if [illegible] in [illegible] *the dis*pute. Failure to resolve [illegible] lock-out means [illegible] earnings for shareholders," [illegible] Mr Mark Brooks, UPIU's special projects director, yesterday.

[illegible] Decatur plant [illegible] been unionised *for* [illegible] *century.* "The old management [illegible] but at [illegible] had agreements with them," [illegible] Mr Watts. The union [illegible] argue management-labour relations have deteriorated since [illegible] acquired [illegible] company [illegible] May 1988.

When [illegible] collective agreement expired in September [illegible] proposed [illegible] sweeping cost-cutting pack[illegible] which [illegible] rejected [illegible]whelmingly by [illegible] workforce in [illegible] ballot.

The union stepped up *pressure by boycotting local* [illegible] which had Staley [illegible]tives on their boards. They were compelled [illegible] resign from them.



Locked out Staley workers demonstrating in Decatur, Illinois

The company went ahead [illegible] imposed [illegible] changes it wanted. In retaliation, the employees [illegible] work [illegible] rule.

T[illegible] conflict escalated rapidly. [illegible] union [illegible] and [illegible] workforce [illegible] safety meeting [illegible] production.

[illegible] June 26 Staley produc[illegible] joined [illegible] solidarity [illegible] from [illegible] nearby Caterpillar assembly plant who [illegible] also [illegible]pute. Early [illegible] next morning Staley locked them out.

Talks through [illegible] US Federal Mediation [illegible] Conciliation Service have proved fruit[illegible] and the company has made it clear it intends [illegible] reduce its labour force by 284.

Since last autumn the union has widened its counter-offensive against the company at local and *international level,* seeking to create what it calls coalitions of interest. "We want the UK unions to pressurise the company", Mr Brooks said. "What is happening in Decatur is going to affect them. They are next on the hit list."

DY Davies losses cut to £116,000

[illegible] exceptional charges and [illegible] *helped* [illegible] Davies, the USM-quoted archi[illegible] pre-tax [illegible] from £484,000 [illegible] the [illegible] to [illegible] 31.

Mr [illegible] Davies, chairman, said that [illegible] had [illegible] of [illegible] in the property [illegible] but [illegible] had yet to [illegible] *to* [illegible] *property* development [illegible] construction [illegible]

He added [illegible] fee [illegible] remained low as a [illegible] competitive bidding and low [illegible]

Turnover [illegible] 36 [illegible] lower at £2.5m (£3.93m). Exceptional [illegible] down [illegible] and [illegible] payable was £110,000 (£157,000).

Mr [illegible] *that excep*[illegible] should [illegible] to [illegible] as [illegible] office [illegible] was let.

Wildrose reveals details of Norton reverse takeover

By Tim Burt

Intrigue [illegible] Norton [illegible] (1993) [illegible] yesterday when [illegible] motorcycle [illegible] owners [illegible] proposed reverse takeover in [illegible] America.

[illegible] Ventures, based in Vancouver, said an [illegible] "listed public vehicle" [illegible] acquire [illegible] 51 [illegible] stake in [illegible] together with options on [illegible] further [illegible] for an [illegible] sum.

Under the transaction, the [illegible] – listed on [illegible] bulletin board in pink [illegible] securities – will [illegible] renamed Norton [illegible]

Wildrose shareholders will receive Norton shares on a 1-for-1 basis, but the new [illegible] will be treated [illegible] an additional [illegible] and will not [illegible] replace [illegible] holdings.

Overall, the Canadian company will receive 9.25m of the *10m shares issued in the listed* [illegible]

[illegible] has been arranged [illegible] Nelson Skalbania, [illegible] deal[illegible] who describes himself as a [illegible] consultant.

[illegible] daughter, Rozanda, [illegible] that the [illegible] investors behind Wildrose were *two* [illegible] the Aquilinis – a [illegible] group with a 10 per cent stake in [illegible] – and the Skalbanias [illegible]

Ms Skalbania, [illegible] is running Norton's UK plant in the Midlands, said: "Wildrose's [illegible] purpose was to do [illegible] Norton [illegible] involved in *funding* [illegible] Aquil[illegible] and [illegible] Skalbanias."

[illegible] seeking a shell *for* Norton since [illegible] last [illegible] when it [illegible] suspended by the Alberta [illegible] Exchange over irregularities in the proposed takeover.

Mr Chris Agagnier, president of Wildrose, said a new listing was necessary to finance Norton's expansion.

[illegible] expansive plans involve some [illegible] including Blue Thunder – a flying car which would have "vertical take-off and full hover capabilities; [illegible] simple as a motorcycle to operate; and *lands safely with full* [illegible] failure".

Another scheme involves a joint venture with MiG, [illegible] Russian aircraft manufacturer, to produce bicycles from recycled titanium.

There are even proposals [illegible] buy [illegible] Bulgarian ski [illegible] "to produce [illegible] line [illegible] Norton [illegible] skis".

[illegible] Skalbania, who said the schemes also depended [illegible] joint [illegible] funding, [illegible] that Norton planned to produce a new motorcycle – the TT558 – in the spring.

NEWS DIGEST

Densitron shares hit by warning

[illegible] in Densitron Inter[illegible] fell 5p [illegible] electronic components group warned that [illegible] delay in [illegible] main contracts meant that full [illegible] profits were unlikely [illegible] match [illegible] previous year's £1.01m pre-tax.

The company [illegible] *strong* [illegible] *Europe and* [illegible] Asia, but declined in the US. There was a strong recovery in the microwave division which was now profitable.

Stavert Zigomala falls 6% to £36,659

Stavert Zigomala, the close company which holds quoted investments and sells furniture, upholstery, carpets and bedding, reported a 6 per cent fall in pre-tax profits from [illegible]38,813 to £36,659 for the half year to end-September.

Turnover fell by some £117,000 to £335,289 and, after an estimated tax bill of £9,165 (£9,703), attributable profits [illegible]ame out at £27,494 (£29,110). [illegible]arnings per share amounted [illegible] *9.303p* (9.841p).

Fleming Emerging lifts net assets 50%

Net asset value of the Fleming Emerging Markets Investment Trust was 196.8p per share, fully diluted, at December 31.

The figure represented a rise of 50 per cent on the value of 131.3p at June 30. The year-on-year advance, from 121.5p, was 62 per cent.

The trust, which concen*trates on capital growth,* incurred a net deficit of [illegible] *(profit of* [illegible] the [illegible] month period, equivalent [illegible] 0.22p (earnings [illegible] 0.09p) [illegible] share.

Directors [illegible] anticipate paying a dividend for the year.

Prestwick passes preference dividend

A [illegible] of [illegible] prevented [illegible] Holdings paying [illegible] preference [illegible] dividend [illegible] on January 31. Mr Archie Coulson, [illegible]tive chairman, [illegible] at the [illegible] *meeting.*

He pointed out that the group was "not making what I consider to be acceptable money and it will take some time to change that."

The shares fell 4p to 40p.

Abtrust New Dawn looks at new capital

Abtrust New Dawn Investment Trust is holding discussions with existing and potential shareholders about a possible increase in capital.

Directors are considering an issue of C shares with new warrants on conversion. Any issue would be designed so that fully diluted net asset value per share would not be reduced on conversion.

ACT subsidiary sold to its management

ACT, the Birmingham-based computer services company, has sold its Brann Direct Marketing subsidiary to members of that company's senior management for £8.15m cash.

Net assets of Brann at December 31 1992 amounted to £6.64m and profits for that year were £851,000. The purchase price included settlement of *intercompany debt.*

Brann was part of the BIS *Group, and* [illegible] *acquired by* [illegible] in July [illegible]

The [illegible] proceeds will be applied in satisfying in full [illegible] final payment [illegible] for BIS.

Murray Split Cap edges ahead

Murray Split Capital Trust, managed in Glasgow by Mur[illegible] Johnstone, reported [illegible] marginal [illegible] in net [illegible] per capital [illegible] from 214.9p [illegible] 215.5p in the three months [illegible] November 30.

Available revenue slipped to £199,000 (£206,000) and earnings per income share were 2.47p (2.58p). As forecast, the first quarter dividend is 2.65p with a maintained total of 10.6p expected for the current year.

TDG in talks to sell engineering offshoot

Transport Development Group is negotiating to sell Beck & Pollitzer Engineering to its management.

With annual sales of more than £20m, B&P Engineering is an international contractor engaged mainly in industrial removal and installation con[illegible] [illegible] were [illegible] December [illegible]

[illegible] Cox, managing director [illegible] TDG's hire division, [illegible] company was [illegible] TDG's [illegible] activities [illegible] sale [illegible] management would allow the group to develop fur[illegible] activities.

Control Techniques moves eastward

Control Techniques, the Powys-based electronic [illegible] and controls company, [illegible] opened its first "drive centre" in the former eastern bloc through a Brno-based joint *venture with Vues, its Czech* distributor.

CT wants to take full advantage of the surge in industrial growth caused by economic reform in both the Czech and Slovak republics. This, it said, *has opened up new* opportunities in industries such as metal, paper, glass and power generation.

CT's drive centres, a key element in its recent expansion, provide engineering system building and problem solving expertise close to its largest customer base, the users of *small* and medium-sized drive systems.

PUBLIC WORKS LOAN BOARD RATES

Effective January 26

Years	Quota loans* EPT†	AT††	maturity§
1			5
Over 1 up to 2	5⅛	5⅛	5⅜
Over 2 up to 3	5⅜	5⅜	5⅝
Over 3 up to 4	5½	5½	5¾
Over 4 up to 5	5⅝	5⅝	6
Over 5 up to 6	5⅝	5¾	6⅛
Over 6 up to 7	5¾	5¾	6¼
Over 7 up to 8	5⅞	5⅞	6½
Over 8 up to 9	6	6	6⅝
Over 9 up to 10	6⅛	6⅛	6¾
Over 10 up to 15	6¼	6⅜	6⅞
Over 15 up to 25	6¾	6⅞	6⅞
Over 25	6⅞	6⅞	6⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

هكذا من الآمل

COMMODITIES AND AGRICULTURE

Output cut hopes lift aluminium

By Kenneth Gooding, Mining Correspondent

Aluminium prices climbed strongly on the London Metal Exchange yesterday in the expectation that producers will soon start cutting world-wide output. However, some analysts were recommending caution about the [redacted] of [redacted] negotiations, [redacted] some of the world's big aluminium producers attempted [redacted] work [redacted] a formula for global annual output [redacted] of 1.5m to [redacted] tonnes.

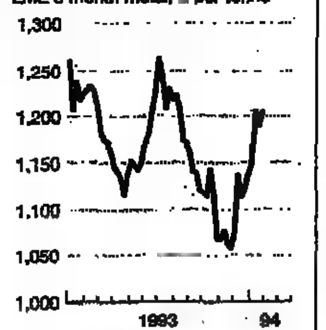
Reports from [redacted] the government was working on a [redacted] calling for the Russian [redacted] cut output by [redacted] a year. However, various news [redacted] reports [redacted] said [redacted] managements [redacted] not [redacted] on [redacted] idea and were much more [redacted] about [redacted] argument with their electricity suppliers [redacted] rapidly rising [redacted].

Yesterday the LME [redacted] price [redacted] aluminium for delivery in [redacted] months closed [redacted] $1,235.75 a [redacted] up $31.25, and in after hours trading [redacted] to $1,240. Mr Angus MacMillan, research [redacted] at Billiton-Enthoven Metals, suggested that "the market might be running ahead of [redacted]. Any improvement in prices will [redacted] until [redacted] actually see action rather than [redacted] about intentions. If the market is disappointed, the price will drop sharply again".

Mr Ted Arnold [redacted] the Merrill Lynch financial [redacted] group [redacted] the agreement [redacted] the [redacted] aluminium producing countries [redacted] long [redacted] and contained too [redacted]. [redacted] was unlikely that governments could find a way [redacted] enforce [redacted] arrangements, [redacted] any agreement [redacted] likely to unravel.

Aluminium

LME 3 month metal, [redacted] per tonne



Source: Datastream

EU farm price plan aims for stability

European Farm Commissioner Rene Steichen yesterday pres[redacted] farm price proposals [redacted] 1994-95 (July/June) aimed at giving farmers [redacted] traders continuity and stability, reports Reuter from Brussels.

The proposals would to a large [redacted] implement cuts in the cereals, dairy and [redacted] sec[redacted] of the common agricultural policy in May 1992.

Plans [redacted] reform the wine, fruit and vegetables and [redacted] due to be presented [redacted] this [redacted].

"It would not be in anyone's [redacted] delay the annual price decisions by proposing piecemeal changes," Mr Stei[redacted].

European Union farm minis[redacted] will start to [redacted] Commission's proposals [redacted] their next meeting [redacted] February 21-22.

Mr Steichen [redacted] a [redacted] very [redacted] budgetary [redacted] for [redacted]. Farm spending was likely [redacted] total Ecu36.678bn (£29bn) in [redacted], overshooting the budget limit by [redacted] Ecu200m, he said.

British oil brigade leads charge into Crimea

Jill Barshay reports on a joint-venture project for deep-water drilling in the Black Sea

The British-Ukrainian Crimean Petroleum Company will drill the [redacted] deep off-shore oil well [redacted] the [redacted] this spring, following the completion last month of a preliminary geological study [redacted] month that [redacted] firmed [redacted] of a likely oil deposit in the sea's north-western shelf.

If the well, [redacted] below the sea floor and 90km [redacted] Crimean coastline, strikes oil the joint venturers expect [redacted] annual oil yield of 2m [redacted] and additional investment of $1.5bn into the [redacted] project.

"This will [redacted] deep oil well in [redacted] history of the Black Sea. [redacted] one has [redacted] tried this before," [redacted] Mr Nikolai Ilnitsky, deputy [redacted]eral director [redacted] Chornomorneft[redacted] (which translates as [redacted] Sea-Oil-Gas), the [redacted] enterprise representing the Ukrainian side.

"We have a very, very exciting prospect," [redacted] Mr Richard Humphreys of J.P. Kenny Exploration, the British part[redacted] of Crimean Oil Company. "The Black [redacted] is one [redacted] areas in [redacted] world that is unexplored. . . "We [redacted] a licence for [redacted] of the [redacted] promising areas. [redacted] looking forward [redacted] drilling [redacted] well."

Despite [redacted] high risks, the virtually unexploited Black [redacted] shelf and has attracted British [redacted] companies, [redacted] J.P. Kenny and British Gas, with their advanced North Sea oil drilling technology.

British Gas signed a co-operation agreement last month with Chornomorneftgaz to conduct geological [redacted] in the [redacted] Sea's eastern [redacted].

Ukraine is [redacted] for British know-how because Soviet technology not equal [redacted] drilling [redacted] ther [redacted] than 70m, keeping off-shore exploration near the coastline. But the Black Sea's oil potential [redacted] much farther off-shore where the water depth is [redacted] and oil deposits are thousands of metres below [redacted] sea floor.

American, Dutch and Norwegian companies also have experience with deep [redacted] drilling, [redacted] British [redacted] come first to [redacted] Crimea, [redacted] they fought against the Russians 140 [redacted].

"British companies are very well placed. Ukraine needs western sea technology which can [redacted] down thousands of [redacted]. We've done [redacted] in [redacted] North Sea," said Mr Humphreys.

Ukraine, in turn, [redacted] for [redacted] investment to develop domestic oil sources in order [redacted] reduce their 90 per cent oil and gas dependence on neighbouring Russia and alleviate their current [redacted] crisis.

In Crimea, where the joint venture [redacted] based, energy shortages have shut down 35 per cent [redacted] all enterprises and forced another 55 per [redacted] to operate at half capacity. Aeroplanes at the capital's airport are grounded for [redacted] fuel and most scheduled flights [redacted] been cancelled.

Anxious to keep oil at home, the Ukrainian government has reserved the first option to buy J.P. Kenny's [redacted] per cent share [redacted] Crimea Petroleum Company's production [redacted] world market prices. If Ukraine [redacted] unable to [redacted] J.P. Kenny [redacted] the oil abroad, [redacted]ing [redacted] the joint-venture [redacted]ment, signed in April of last year.

Despite the Ukrainian and British sides' optimistic assessments, deep off shore drilling in Crimea is as fraught with risk as it is in other areas. Huge drilling expenditures ($7m-$8m for each drilling attempt) [redacted] often for naught, [redacted] the most thorough seismic analysis cannot reduce the two-to-one odds against striking oil in [redacted].

In addition the unsettled Ukrainian-Russian territorial dispute over Crimea could threaten current contracts, which have been negotiated with Ukrainian authorities.

Crimea was transferred from Russian to Ukrainian jurisdiction only 40 years ago. Many Crimean Russians, who make up 70 per cent of the population, would like to reunite with their ethnic kin.

Greece to offer onshore and offshore concessions

By [redacted] Hope in Athens

Greece's Public Petroleum Corporation (DEP) plans [redacted] concessions [redacted] onshore and [redacted] oil exploration in [redacted] Greece later [redacted].

Blocks in Epirus [redacted] Ionian Sea would [redacted] made available [redacted] international bid[redacted] after parliament passed [redacted] law on oil exploration [redacted] exploitation, "probably in [redacted] spring", according to Mrs Ter[redacted] Fokianou-Malaveta, [redacted] corporation's chairman.

DEP's research department [redacted] seismic [redacted] in Epirus produced encouraging results, [redacted] drilling [redacted] Ionian Sea had [redacted] the exis[redacted] oil-bearing levels, [redacted] added.

Under production-sharing arrangements [redacted] the [redacted] legislation DEP would have [redacted] right to participate [redacted] minority [redacted] exploiting [redacted] deposits in Greece.

Meanwhile, [redacted] drilling [redacted] being made by North Aegean Petroleum Corporation [redacted] the Prinos offshore [redacted] near [redacted] island in the north-eastern Aegean.

The drilling is the [redacted] by NAPC, a Canadian-led [redacted]tium, [redacted] and Turkey [redacted] brink [redacted] in [redacted] conflicting [redacted] offshore oil rights [redacted] Aegean. The dispute [redacted] pre[redacted] NAPC [redacted] exploring [redacted] oil [redacted] Thassos.

Production [redacted] Prinos field, [redacted] in Greek [redacted] waters, [redacted] declined from [redacted] barrels a day in [redacted] early [redacted] about [redacted] b/d last year.

However, [redacted] introduction of [redacted] re-injection techniques, using natural [redacted] from the nearby South Kavalla offshore field, has lifted production [redacted] around [redacted] b/d. If [redacted] drilling project, reaching [redacted] below [redacted] level, could yield up [redacted] b/d, Mrs [redacted]eta said.

The [redacted] last year signed a new six-year pro[redacted] agreement [redacted] NAPC, giving [redacted] favourable [redacted] arrangement than previously. [redacted]tium had considered shutting down its operations because of the political obstacles to exploiting known oil and gas deposits east of Thassos. It has invested $700m in Greece since it won the Prinos concession 20 years ago.

Denison Mines of Canada controls 58 per cent of the consortium. DEP holds 15 per cent, with subsidiaries of three other international oil companies, Wintershall Greece, Hellenic [redacted] Holdings and White [redacted] Greece, holding [redacted] stakes.

Chilean group faces big futures losses

By David Pilling in [redacted] and Kenneth Gooding in London,

Codelco, [redacted] state-owned Chilean group, yesterday launched [redacted] investigation [redacted] "serious irregularities" in [redacted] futures trading on [redacted] Exchange [redacted] could result in losses [redacted] about US$100m. This [redacted] with estimated [redacted] profits [redacted] $115m.

The deputy head [redacted] sales, Mr Juan [redacted] Davila, [redacted] sacked and [redacted] senior [redacted]tives, including Mr Owen Guerrini, [redacted] sales, resigned.

Nervous tremors went through [redacted] London and [redacted] York metals markets [redacted] announcement, by Mr Alejan[redacted] Noemi, president of Codelco, [redacted] world's biggest [redacted] producer. "People will [redacted] want [redacted] substantial positions in [redacted] direction [redacted] clearer," [redacted] Angus MacMillan, research [redacted] Billiton-Enthoven Metals. If [redacted] expectation [redacted] a major player [redacted] Codelco was [redacted] liquidate [redacted] buy copper, "others would sell very quickly, [redacted] would have a snowball effect [redacted] a big impact on [redacted] market."

However, Mr Ted Arnold, [redacted] specialist [redacted] Merrill Lynch financial services group, pointed out [redacted] Codelco [redacted] a big, state-owned organisation [redacted] well [redacted] obligations. "I [redacted] be amazed if Codelco liquidated [redacted] positions, so I don't imagine [redacted] having much of an impact [redacted] copper market," [redacted].

Codelco's Mr Noemi said accountants Price [redacted] would conduct an independent investigation into [redacted] potential losses. "We [redacted] projected a $100m loss, but it could be [redacted] could [redacted] less. A final figure will [redacted] known in about [redacted] weeks," he said.

The [redacted] could [redacted] profound [redacted] future of Codelco, [redacted] for [redacted] 20 [redacted] cent of Chile's export earnings.

Pepper production forecast to plunge this year

[redacted] Deborah Hargreaves

World pepper production is [redacted] to plunge this year with [redacted] estimated 103,000m tonnes of exports available compared with 164,000m [redacted] year according [redacted] a report by Man Producten, an Amsterdam trader.

The [redacted] in output led [redacted] a steep rise in prices last year and although the [redacted] undergone a correction, it remains strong. Lack of investment [redacted] old and [redacted] productive pepper plantations and farmers' [redacted] of interest in growing pepper following a period [redacted] low prices [redacted] late 1980s [redacted] a substantial decline in [redacted] availability of pepper worldwide.

World pepper demand cannot [redacted] by [redacted] supplies, [redacted] must [redacted] partially [redacted] by selling stocks, the report [redacted] was a large draw-down of [redacted] and stocks [redacted] expected to fall fur[redacted] year. Man [redacted] expects this year's [redacted] close [redacted] consumption [redacted] between 145,000m [redacted] and 155,000m [redacted].

Traders expect a long-term increase [redacted] pepper prices, which are at present about $2,950 a tonne for white in Rot[redacted] and [redacted] a pound for black [redacted]. The white pepper price [redacted] touch $4,100 a tonne in Septem[redacted] from $1,100 a year before. [redacted] pepper [redacted] from historic lows with [redacted] York price [redacted] 81 cents a pound in September.

MARKET REPORT

Gold price firmer

GOLD continued its recovery yesterday, helped by buying from a large bank. But SILVER managed only a marginal rise.

An early dip in the COPPER market quickly found [redacted] and prices ended little changed. ZINC also rallied after an initial [redacted] background of possible [redacted] action at a Colombian mine.

[redacted]ed from Reuter

COMMODITIES [redacted]

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	[redacted] mths
Close	[redacted]	1235.5-6.0
Previous	1186-87	1204-205
High/low		1241/1215
AM Official	[redacted]	[redacted]
Kerb close		1239-40
Open int.	262,135	
Total daily turnover	45,944	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1057-62	1081-85
Previous	1033-35	1056-58
High/low		1073
AM Official	1047-50	1070-75
Kerb close		1085-90
Open int.	3,029	
Total daily turnover	103	

■ LEAD ($ per tonne)

Close	506.5-7.5	519-20
Previous	506.5-8.5	519-21
High/low		522/[redacted]
AM Official	506.5-7.0	519-20
Kerb close		524-25
Open int.	32,380	
Total daily turnover	[redacted]	

■ NICKEL ($ per tonne)

Close	5705-10	5769-70
Previous	5655-65	5715-25
High/low	5705	5820/5740
AM Official	5705-6	5762-63
Kerb close		5800-10
Open int.	49,669	
Total daily turnover	7,149	

■ TIN ($ per tonne)

Close	5075-85	5130-35
Previous	5010-20	5060-70
High/low		5140/5075
AM Official	5080-85	5135-38
Kerb close		5120-30
Open int.	17,158	
Total daily turnover	[redacted]	

■ ZINC, special high grade ($ per tonne)

Close	[redacted]	[redacted]
Previous	[redacted]	1017-17.5
High/low	998/997	1028/1009
AM Official	996.5-97	1015-15.5
Kerb close		1028-29
Open int.	96,133	
[redacted] daily turnover	12,900	

■ COPPER, grade A [redacted] per tonne)

Close	[redacted]	[redacted]
Previous	[redacted]	[redacted]
High/low	1839.5	[redacted]
AM Official	[redacted]	[redacted]
Kerb [redacted]		1876-77
[redacted] int.	257,481	
Total daily turnover	[redacted]	

■ LME AM Of[redacted] £/$ rate: 1.4984
LME Closing [redacted] rate: 1.4925

Spot:1.4940 3 [redacted] mths:1.4803 [redacted]

■ HIGH GRADE COPPER (COMEX)

	Close	Day's [redacted]	High	[redacted]	Open int	[redacted]
Jan	86.80	+0.40	86.90	86.25	615	158
Feb	86.75	+0.35	86.60	85.50	1,222	131
Mar	[redacted]	[redacted]	87.20	85.20	35,159	4,[redacted]
Apr	86.35	+0.25	85.20	85.20	[redacted]	[redacted]
[redacted]	86.35	+0.30	[redacted]	84.80	[redacted]	844
Jun	[redacted]	[redacted]	85.35	[redacted]	850	7
Total					[redacted]	5,989

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by [redacted] Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	383.30-383.50	
Opening	381.00-381.40	
Morning fix	381.00	254.862
Afternoon fix	383.00	256.102
Day's High	384.50-385.00	
Day's Low	380.00-380.50	
Previous close	382.10-382.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....2.67 [redacted] 2.73
2 months ....2.70 12 months 2.82
3 months 2.70

Silver Fix	p/troy oz.	US cts equiv.
Spot	339.10	507.50
3 months	343.50	511.30
6 months	347.60	516.30
1 year	356.75	524.55

Gold Coins	$ price	£ equiv.
Krugerrand	382-385	255-258
Maple Leaf	394.00-396.50	
New Sovereign	89-92	59-62

PRECIOUS METALS

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	[redacted] price	[redacted] change	High	Low	Open int	Vol.
Feb	384.8	[redacted]	[redacted]	380.1	[redacted]	20,503
[redacted]	385.5	+3.0	381.7	381.7	70	-
Apr	386.7	+3.1	386.9	382.1	43,658	[redacted]
Jun	[redacted]	+3.1	389.0	384.2	27,823	3,064
Aug	390.5	+3.1	390.4	390.1	4,992	175
[redacted]	392.7	[redacted]	-	-	3,425	[redacted]
Total					147,948	[redacted]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	387.6	+8.4	-	-	39	7
Apr	385.1	+5.9	[redacted]	381.5	[redacted]	[redacted]
Jul	389.5	+5.8	390.0	383.0	[redacted]	37
Oct	391.0	+5.8	-	-	365	8
Jan	392.4	+5.8	-	-	144	-
Total					[redacted]	[redacted]

■ [redacted] NYMEX (100 Troy [redacted] $/troy oz.)

[redacted]	[redacted]	+0.50	126.00	[redacted]	[redacted]	106
[redacted]	124.20	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	124.30	+0.60	-	-	91	3
Dec	124.30	+1.40	-	-	[redacted]	-
Total					[redacted]	[redacted]

■ [redacted] (5,000 Troy [redacted] $/troy oz.)

[redacted]	512.3	+3.5	-	-	1	-
[redacted]	512.8	+3.3	-	-	1	-
Mar	514.0	+3.3	518.0	508.0	[redacted]	13,088
May	517.4	+3.3	520.5	509.5	[redacted]	2,[redacted]
Jul	520.5	+3.3	[redacted]	[redacted]	9,311	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	12
Total					110,651	15,714

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[redacted]	[redacted]	15.63	[redacted]	[redacted]	[redacted]
Apr	[redacted]	+0.21	[redacted]	[redacted]	50,714	28,580
May	15.47	[redacted]	15.55	[redacted]	[redacted]	[redacted]
Jun	[redacted]	+0.17	[redacted]	[redacted]	41,212	[redacted]
Jul	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Aug	[redacted]	[redacted]	15.91	[redacted]	13,890	2,823
Total					412,836	108,316

■ CRUDE OIL IPE ($/barrel)

	[redacted] price	Day's change	High	[redacted]	Open int	Vol
[redacted]	[redacted]	+0.14	[redacted]	[redacted]	68,279	[redacted]
Apr	[redacted]	[redacted]	[redacted]	[redacted]	41,879	[redacted]
May	[redacted]	[redacted]	14.20	[redacted]	[redacted]	4,610
Jun	14.25	+0.14	[redacted]	[redacted]	8,375	[redacted]
Jul	14.38	+0.12	14.49	14.37	[redacted]	[redacted]
Aug	14.50	+0.08	14.57	14.49	[redacted]	[redacted]
[redacted]					[redacted]	[redacted]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
[redacted]	51.55	+1.65	51.80	50.03	25,645	20,461
[redacted]	48.90	+1.07	[redacted]	[redacted]	[redacted]	[redacted]
Apr	46.50	[redacted]	46.80	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	45.05	32,382	[redacted]
Jun	[redacted]	+0.42	[redacted]	[redacted]	[redacted]	[redacted]
Jul	45.60	[redacted]	45.85	[redacted]	[redacted]	379
Total					197,474	49,564

■ GAS OIL IPE ($/tonne)

	Sett [redacted]	[redacted] change	High	Low	Open int	Vol
Feb	[redacted]	+1.75	[redacted]	[redacted]	28,179	[redacted]
[redacted]	145.25	+1.75	145.75	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	143.75	[redacted]	2,808
May	143.25	+1.00	143.50	142.75	9,116	924
Jun	143.25	+0.75	143.75	143.25	14,676	450
[redacted]	144.75	[redacted]	145.50	145.00	[redacted]	329
Total					[redacted]	[redacted]

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	[redacted] price	Day's change	[redacted]	[redacted]	Open int	Vol
Mar	2.320	+0.074	2.330	2.270	[redacted]	10,804
Apr	2.175	+0.041	2.190	2.165	17,487	[redacted]
May	2.095	+0.024	2.110	2.090	[redacted]	[redacted]
Jun	[redacted]	[redacted]	2.080	2.055	7,233	[redacted]
[redacted]	2.040	[redacted]16	2.055	2.035	[redacted]	[redacted]
[redacted]	2.059	+0.011	[redacted]	2.050	[redacted]	[redacted]
Total					122,621	21,877

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	[redacted]	High	[redacted]	Open int	Vol
Feb	[redacted]	[redacted]	44.90	43.00	[redacted]	16,742
Mar	44.55	+0.56	[redacted]	[redacted]	[redacted]	[redacted]
Apr	46.95	[redacted]	47.15	46.90	28,922	5,085
May	[redacted]	+0.45	47.80	[redacted]	30,412	[redacted]
[redacted]	[redacted]	[redacted]	48.10	[redacted]	11,479	2,236
Jul	48.15	[redacted]	[redacted]	[redacted]	2,643	[redacted]
Total					135,611	44,157

[redacted] AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	[redacted] change	High	Low	Open int	Vol
[redacted]	[redacted]	+0.50	[redacted]	100.00	1,707	192
May	101.15	+0.55	[redacted]	101.00	1,800	[redacted]
Jun	[redacted]	+0.30	101.75	-	[redacted]	64
Sep	90.35	+0.15	90.50	[redacted]	157	[redacted]
Nov	[redacted]	+0.20	91.50	91.50	782	25
[redacted]	[redacted]	+0.25	93.50	93.50	-	20
Total					[redacted]	486

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	372/6	-4/2	[redacted]	372/4	113,160	23,375
[redacted]	350/2	-4/2	353/6	350/0	41,170	7,700
Jul	337/2	-1/4	338/6	337/0	73,290	10,890
Sep	338/2	-1/2	339/2	337/6	[redacted]	1,688
Dec	345/4	-1/4	346/4	345/0	14,266	1,620
Jul	325/0	-	-	-	25	-
Total					[redacted]	[redacted]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[redacted]	299/4	-	300/2	299/0	[redacted]	[redacted]
May	[redacted]	[redacted]	305/0	[redacted]	[redacted]	[redacted]
[redacted]	304/2	-1/2	305/4	304/0	398,210	[redacted]
[redacted]	[redacted]	[redacted]	286/0	285/0	76,040	[redacted]
Dec	269/0	-0/4	269/6	[redacted]	[redacted]	[redacted]
Mar	276/0	-0/2	275/2	274/4	[redacted]	280
Total					1,715[redacted]	204,419

■ BARLEY LCE (£ per tonne)

[redacted]	103.75	-0.25	-	-	715	-
May	[redacted]	-0.25	105.50	105.50	[redacted]	5
[redacted]	[redacted]	[redacted]	-	-	60	-
Nov	[redacted]	[redacted]	-	-	63	-
Jan	[redacted]	-	-	-	21	-
Total					1,041	5

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	[redacted]	+1/6	703/6	696/4	366,03[redacted]	115,525
May	[redacted]	+0/2	709/0	702/4	203,[redacted]	[redacted]
Jul	708/0	[redacted]	709/2	[redacted]	[redacted]	[redacted]
Aug	[redacted]	-	700/4	697/0	29,540	7,870
Sep	677/4	+1/0	678/0	675/4	17,450	2,078
[redacted]	[redacted]	[redacted]	[redacted]	657/4	79,330	13,960
Total					878,350	198,980

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	29.76	-	29.99	29.58	37,870	[redacted]
May	29.62	-	29.81	29.48	[redacted]	[redacted]
Jul	29.34	+0.01	[redacted]	29.10	[redacted]	2,823
[redacted]	[redacted]	-0.02	28.90	[redacted]	5,211	595
Sep	[redacted]	+0.05	[redacted]	[redacted]	4,368	392
Oct	[redacted]	[redacted]	27.35	27.24	[redacted]	[redacted]
Total					94,010	17,830

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	[redacted]	[redacted]	197.1	[redacted]	[redacted]	8,126
May	[redacted]	+1.0	[redacted]	[redacted]	18,095	[redacted]
Jul	[redacted]	+1.0	[redacted]	[redacted]	15,737	1,871
Aug	197.0	+0.6	[redacted]	[redacted]	6,165	107
Sep	195.3	+0.5	[redacted]	195.7	[redacted]	[redacted]
Oct	[redacted]	+0.2	[redacted]	192.6	[redacted]	53
Total					[redacted]	14,394

■ POTATOES LCE (£/tonne)

Mar	135.0	-	-	-	34	-
Apr	110.8	+0.5	111.8	110.2	1,696	126
[redacted]	[redacted]	+1.2	[redacted]	131.0	726	[redacted]
Jun	130.0	-	-	-	2	-
Nov	85.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
[redacted]					[redacted]	156

■ FREIGHT (BIFFEX) LCE ($10/index [redacted])

Jan	1216	-2	-	-	693	-
Feb	1193	-12	1198	[redacted]	[redacted]	[redacted]
Mar	1215	-12	1220	1200	171	112
Apr	1243	-11	1250	1231	1,098	39
Jul	1109	-4	1110	1105	211	13
Oct	1263	-14	-	-	230	-
Total					2,710	168

	[redacted]	Prev
BFI	1220	1228

Cotton

Liverpool- Spot and shipment sales amounted to 156 tonnes for the week ended 21 January. Against nil in the previous week. Improved demand brought moderate purchases mainly in CIS descriptions. Mali growths made some headway.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	913	-5	920	909	31,839	[redacted]
May	912	[redacted]	918	[redacted]	15,331	[redacted]
Jul	[redacted]	+1	925	919	10,253	266
[redacted]	931	-	[redacted]	[redacted]	10,540	114
Dec	947	-1	951	945	13,894	250
[redacted]	961	-2	963	959	25,719	434
Total					124,881	3,587

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1118	-6	1134	1113	[redacted]	3,951
[redacted]	1153	-7	1164	[redacted]	18,239	[redacted]
Jul	[redacted]	-6	1192	1179	11,220	[redacted]
Sep	[redacted]	-6	1210	[redacted]	7,239	190
Dec	1232	-6	1247	1238	6,591	32
Mar	[redacted]	-6	1272	1262	7,499	6
[redacted]					89,657	[redacted]

■ COCOA (ICCO) (SDR's/tonne)

Jan 25	Price	Prev. day
Daily	917.20	916.35
Jan 26		
10 day average	924.74	923.62

■ [redacted] LCE ($/tonne)

Jan	1177	+4	1178	1165	242	135
Mar	1185	+1	[redacted]	1172	[redacted]	[redacted]
[redacted]	1191	-	1191	1177	[redacted]	1,712
[redacted]	1181	+3	1180	1170	[redacted]	282
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	2,002	27
Nov	1162	1	1161	1177	[redacted]	18
Total					[redacted]	[redacted]

■ [redacted] 'C' [redacted] (37,500lbs; cents/lbs)

Mar	74.80	+0.30	75.10	73.60	30,505	4,610
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1,637
Jul	[redacted]	[redacted]	[redacted]	78.75	[redacted]	110
Sep	[redacted]	[redacted]	79.50	78.75	[redacted]	[redacted]
Dec	[redacted]	[redacted]	[redacted]	80.50	[redacted]	[redacted]
[redacted]	82.90	+0.55	83.00	83.00	809	10
Total					84,590	6,310

■ COFFEE (ICO) (US cents/pound)

Jan 25	Price	Prev. day
Comp. daily	69.67	69.71
[redacted] day average	69.07	68.99

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	10.52	-0.03	[redacted]	10.47	[redacted]	115
[redacted]	11.07	-0.06	[redacted]	11.02	[redacted]	20
Jul	11.31	[redacted]	11.31	11.30	[redacted]	6
Oct	11.03	[redacted]	-	-	[redacted]	-
Total					5,029	140

■ WHITE SUGAR LCE ($/tonne)

Mar	[redacted]	[redacted]	291.00	[redacted]	[redacted]	[redacted]
May	[redacted]	-0.30	290.50	288.60	[redacted]	365
Aug	293.80	-	294.50	293.00	1,848	279
Oct	282.00	+0.40	282.90	281.30	2,476	[redacted]
[redacted]	280.80	[redacted]	-	-	[redacted]	-
[redacted]	[redacted]	-	-	-	64	-
Total					[redacted]	[redacted]

■ SUGAR '11' CSCE ([redacted] cents/lbs)

Mar	10.31	[redacted]	10.40	10.26	41,811	11,784
[redacted]	10.72	-0.07	[redacted]	10.70	[redacted]	3,508
Jul	[redacted]	-0.05	10.82	[redacted]	15,774	1,347
[redacted]	10.68	-0.09	10.77	10.68	[redacted]	[redacted]
Mar	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	8
May	10.78	-0.02	-	-	111	1
Total					110,140	17,169

■ COTTON NYCE (50,000lbs; cents/lbs)

[redacted]	72.90	-0.88	[redacted]	72.80	20,690	4,110
May	[redacted]	[redacted]	[redacted]	73.50	[redacted]	3,272
Jul	74.35	[redacted]	[redacted]	[redacted]	8,343	1,561
Oct	[redacted]	[redacted]	71.20	[redacted]	[redacted]	[redacted]
Dec	[redacted]	[redacted]	[redacted]	68.45	8,335	[redacted]
Mar	[redacted]	-0.15	69.65	[redacted]	[redacted]	[redacted]
Total					[redacted]	[redacted]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[redacted]	103.10	[redacted]	104.25	101.50	11,149	2,639
May	105.65	[redacted]	106.50	[redacted]	[redacted]	607
Jul	[redacted]	-0.90	108.60	[redacted]	1,183	[redacted]
[redacted]	[redacted]	[redacted]	108.25	[redacted]	[redacted]	[redacted]
Nov	111.55	-1.00	[redacted]	[redacted]	392	79
Jan	113.00	-0.95	[redacted]	[redacted]	438	32
Total					18,827	3,591

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS [redacted] (18/9/31=100)

Jan 26	Jan 25	month ago	year ago
1711.4	1703.5	1675.8	1667.2

■ CRB (Base: 4/9/56=100)

Jan 25	Jan 24	month ago	year ago
225.76	226.13	225.38	199.53

MEAT AND LIVESTOCK

■ LIVE CATTLE CME [redacted] cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[redacted]	72.925		[redacted]	[redacted]	24,883	[redacted]
[redacted]	75.800	-0.075	76.100	75.700	26,364	[redacted]
Jun	[redacted]	-	74.300	74.050	[redacted]	[redacted]
Aug	73.150	-	73.275	72.875	10,493	[redacted]
Oct	73.150	+0.025	73.275	73.025	6,454	317
[redacted]	73.900	-0.050	73.975	73.750	[redacted]	[redacted]
Total					[redacted]	14,138

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[redacted]	48.375	[redacted]	49.075	48.300	6,194	[redacted]
[redacted]	50.175	[redacted]	50.650	50.100	12,116	[redacted]
Jun	55.375	-	55.525	55.300	7,689	[redacted]
Jul	54.500	+0.025	54.625	54.400	2,888	535
[redacted]	52.850	+0.025	52.900	52.850	[redacted]	321
Oct	49.200	-0.150	49.350	49.000	[redacted]	[redacted]
[redacted]					[redacted]	[redacted]

■ PORK BELLIES CME [redacted] cents/lbs)

Feb	54.650	[redacted]	55.000	54.100	[redacted]	[redacted]
Mar	55.250	+0.125	55.550	[redacted]	[redacted]	1,120
May	[redacted]	-0.050	56.900	56.150	3,122	[redacted]
[redacted]	56.775	+0.100	56.850	56.475	1,835	209
Aug	[redacted]	-0.075	[redacted]	[redacted]	386	[redacted]
Total					11,117	[redacted]

LONDON TRADED OPTIONS

Strike price $ [redacted]	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	[redacted]
1200	69	90	30	[redacted]
1250	43	[redacted]	[redacted]	[redacted]
1300	24	43	85	87
■ COPPER (Grade A) LME	Apr	[redacted]	[redacted]	Jul
1850	71	99	46	56
1900	47	74	71	[redacted]
1950	29	[redacted]	103	106
■ COFFEE LCE	Mar	[redacted]	[redacted]	[redacted]
1150	49	[redacted]	14	40
1200	22	[redacted]	37	64
1250	6	[redacted]	73	96
■ COCOA LCE	Mar	May	[redacted]	May
900	32	[redacted]	19	42
925	20	43	32	[redacted]
950	12	[redacted]	[redacted]	72
■ BRENT CRUDE IPE	Mar	Apr	Mar	[redacted]
1400	49	63	15	44
1450	18	[redacted]	37	-
1500	6	[redacted]	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel [redacted])

[redacted]	$13.42-3.46w	[redacted]
[redacted]	$14.75-4.78	[redacted]
[redacted] Blend (Mar)	$14.30-4.32	+0.17
W.T.I. (1pm est)	$15.44-5.46w	[redacted]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	[redacted]	+1.5
Gas Oil	$146-1[redacted]	[redacted]
Heavy Fuel Oil	$69-70	
[redacted]	$131-134	+2
[redacted] Fuel	[redacted]	+1

Petroleum Argus Estimates

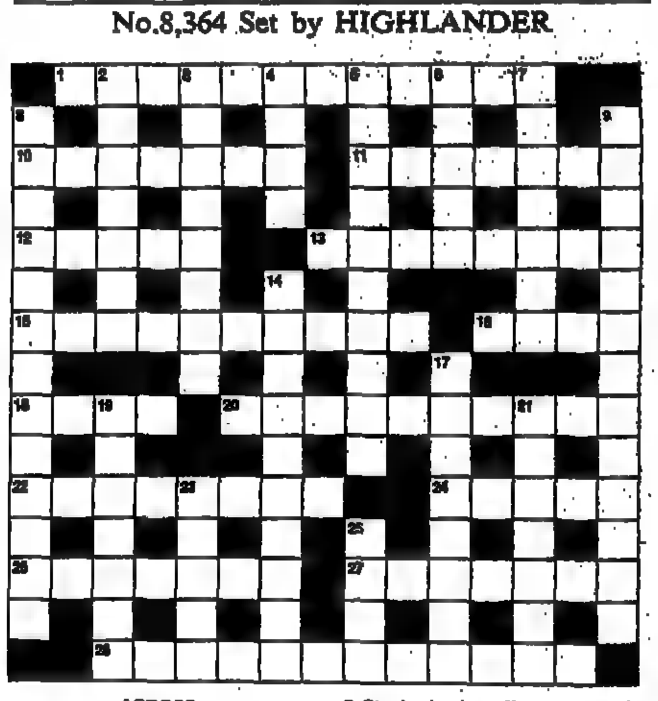
■ OTHER

Gold (per troy oz)♣	[redacted]	+1.25
Silver (per troy oz)♣	513.5c	[redacted]
Platinum (per troy oz.)	[redacted]	-1.00
Palladium (per troy oz.)	[redacted]	
Copper (US prod.)	[redacted]	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	13.42r	[redacted]
Tin (New York)	236.50c	+2.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	120.74p	-0.42*
Sheep (live weight)†♠	101.85p	+0.91*
Pigs (live weight)	66.58p	-1.06*
Lon. day sugar (raw)	$254.5	-1.0
Lon. day sugar (wte)	$292.0	+1.0
Tate & Lyle export	$281.0	-1.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£127.00v	
Wheat (US Dark North)	£143.5	
Rubber (Mar)♥	62.00p	+0.25
Rubber (Apr)♥	62.25p	+0.25
Rubber(KL RSS No1 Feb)	223.5m	+0.5
Coconut Oil (Phil)§	$610.0x	+10.0
Palm Oil (Malay.)§	$402.5t	
Copra (Phil)§	$395.0	
Soyabeans (US)	£201.0v	+1.0
Cotton 'A' Index	73.75c	+0.50
Wooltops (64s Super)	362p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m [redacted] cents/kg. y Feb/Apr w Mar. z Jan/Mar. v Feb. t Feb/Mar. x Mar/Apr. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,364 Set by HIGHLANDER



ACROSS

1 Misinterpreted brief point about teetotaller's drink (4,2,6)
10 Withdraw from [redacted] Queen is overthrown (7)
11 [redacted] physics [redacted] remain in charge [redacted] synthetic material (7)
12 In bloom on the first of April perhaps (5)
[redacted] Last mad struggle - [redacted] to [redacted] and firm (8)
15 Absorbed in chair that's firmly fixed (4-6)
[redacted] Foot's part [redacted] standing by Cenotaph [redacted]
18 [redacted] about English [redacted]
20 Amalgam [redacted] tin and [redacted] outside engineer's [redacted]hension [redacted]
[redacted] N[redacted] quantity? It's not important (2,6)
24 Carries child with [redacted] from [redacted] table (5)
26 No hope originally - caught inside animal's cage (3-4)
27 Present newspaperman volunteered (7)
28 Girl goes over to 'er with fruit drink (5,3,4)

DOWN

2 Deep in [redacted] past perhaps (7)
3 Examine [redacted] of every packing case [redacted]
4 Is suitable [redacted] sudden [redacted] (4)
5 Overtures [redacted] Iolanthe and [redacted] (work by [redacted] reveal [redacted]
6 Starts to tow lines to catch immature fish (5)
[redacted] Keep third of form in and go through instruction process [redacted] (7)
[redacted] Mercedes has rear end missing, smashed up by people [redacted] the drink (5,2,6)
9 [redacted] put an end [redacted] disorder adds on a drink (6,3,4)
14 Brave defender for Lady Chatterley's Lover? (10)
17 Forecasts about new fuel are malicious (8)
[redacted] Original house, not all let initially (7)
21 Meanwhile bury the [redacted] man (7)
23 The unendingly long topless leather strip (5)
25 Anon and so forth (4)

Solution 8,363

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SEQUIN STICKLER
W U B L I O A E
AVARICE DECIBEL
N S S V E K E A
LAIR VERMICELLI
A [redacted] V R A N D
KAOLIN BREATHE
E D C P K F U A
HOSTILE PERNOD
A O A F R C O
BELLRINGER CHIP
A Y H G T M B T
TRIBUNE CHAPATI
E N G N H K C O
DOGTOOTH JERKIN
```

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Shares give ground following gilt-edged auction

By Terry Byland, UK Stock Market Editor

[illegible] in the government bond [illegible] undermined UK equities yesterday, leaving share prices to drift to lower levels [illegible] another directionless session. Selling pressure appeared fairly modest, although the [illegible] reports from the [illegible] gave little evidence of the bounce in consumer spending [illegible] which the [illegible] is still searching.

The [illegible] opened lower in [illegible] in Hong Kong and [illegible] York overnight, but [illegible] then spurred briefly ahead by determined buying of [illegible] future by [illegible] least two big [illegible] houses.

The Footsie gained [illegible] net [illegible] in [illegible] first hour [illegible] official trading [illegible] this proved to be the best of the day. Traders [illegible] quick [illegible] see the bond futures weaken ahead of the auction [illegible] government securities, [illegible] slightly unusual development, according [illegible] several leading traders.

Negative signals from the [illegible] market quickly appeared following the announcement [illegible] the auction result. Equities held [illegible] fairly well, however, until early in the afternoon when [illegible] prices [illegible] to [illegible] under [illegible] selling [illegible] from overseas.

At [illegible] the market was 11 points down [illegible] the [illegible] scale, before [illegible] calm opening on Wall Street and a steadier [illegible] in other European bourses helped London [illegible] rally at the close. The final reading put [illegible] FT-SE 100 Index [illegible] 3,436.1 for a net [illegible] 7.9 points.

The picture [illegible] much [illegible] same among the second line issues, where the FT-SE Mid [illegible] Index continued [illegible] fall to register a loss for the day [illegible] 11.4 [illegible] 4,079.7. Seaq volume of [illegible] shares compared with 985m in the previous session, with [illegible] business constituting 61 per cent of the total. A slower trend this [illegible] in [illegible] market's second line stocks has [illegible] with the outperformance of the Mid 250 Index previously.

Account Dealing Dates		
[illegible] Dealings:		
Jan 17	Jan 31	Feb [illegible]
Option Declarations:		
Jan [illegible]	Feb 10	[illegible]
Last Dealings:		
Jan 28	Feb 11	Feb 25
Account Day:		
Feb 7	Feb 21	Mar [illegible]

"New [illegible] dealings may take place [illegible] business days earlier.

Retail, or customer, business was worth £2bn on Tuesday, indicating that beneath a relatively calm surface the big institutional investors are actively reshuffling portfolios, taking profits in [illegible] market now around 1.7 [illegible] cent off the trading peak reached less than a week ago. Technical analysts suggest that some [illegible] overbought.

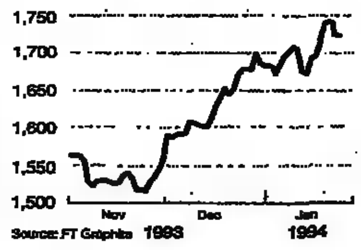
Uncertainty in UK government bonds [illegible] discouraging [illegible] the stock market, where the currently very high valuations on share prices owe much [illegible] prolonged [illegible] in bond yields. UK gilts [illegible] investors returns [illegible] more than [illegible] per cent [illegible] some equity analysts [illegible] the [illegible] may have [illegible] its [illegible] for this cycle", [illegible] trader expressed it.

The London market was helped by firmness [illegible] the international [illegible] as sterling [illegible] back [illegible] its [illegible] strength; concern over [illegible] currency's effects on export [illegible] the past fortnight. Oil shares looked steadier but the [illegible] features came among the global media stocks. [illegible] Reuters continued [illegible] headway.

There was little support for the retail sector, however, after the latest round of sales reports did nothing to lift the [illegible] of uncertainty. There were losses for the [illegible] tor leaders as fund [illegible] appeared to be lightening exposure [illegible] the [illegible].

The rest of this week is expected [illegible] see London remaining somewhat on the sidelines, with [illegible] prices vulnerable [illegible] bouts of profit-taking as global markets respond [illegible] nomic [illegible] from Japan and the US.

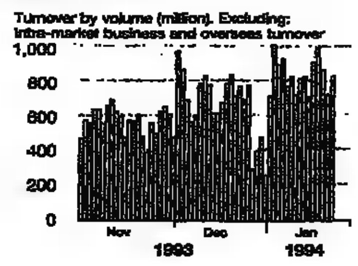
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3436.1	-7.9	FT Ordinary Index	2641.2	-5.0
FT-SE Mid 250	4079.7	-11.4	FT-SE-A Non [illegible]	[illegible]	[illegible]
FT-SE-A 350	1738.6	-4.2	FT-SE 100 Fut [illegible]	[illegible]	-11.0
FT-SE-A All-Share	1724.56	-4.0	10 yr [illegible] yield	[illegible]	[illegible]
FT-SE-A All-Share yield	3.28	(3.27)	Long [illegible] yld ratio:	[illegible]	(2.04)

Best performing sectors

1 Gas Distribution .... +1.0
2 Pharmaceuticals .... +0.9
3 Media .... +0.7
4 Electronic & Elec Eqpt .... +0.6
5 Extractive Inds .... +0.4

Worst performing sectors

1 Water .... -1.7
2 Retailers, General .... -1.0
3 Textiles & Apparel .... -1.0
4 Engineering, Vehicles .... -0.8
5 Banks .... -0.8

Mixed retail fortunes

Further evidence [illegible] pattern of Christmas trading among the big retail stores [illegible] yesterday [illegible] slightly disappointing results from W.H. Smith [illegible] with strong figures from [illegible].

[illegible] Smith reported an [illegible] in sales, profits [illegible] bottom [illegible] expectations [illegible] brokers edged down full-year forecasts. However, [illegible] took heart [illegible] lower losses at Do It All, the home improvement chain, and positive remarks from the Smith management on trading.

The shares, marked sharply down initially on a hefty tax charge, [illegible] at 530½p, [illegible] on [illegible] day. Turnover was [illegible] brisk 2.5m.

Next shares [illegible] sold, but dealers attributed this [illegible] profit-taking following [illegible] stock's sparkling new [illegible] run. Most [illegible] was [illegible] by [illegible] speculation [illegible] its [illegible] increase [illegible] Christmas period, confirmed by yesterday's trading [illegible] jumped [illegible] Directory 9 per [illegible] in the [illegible] months to [illegible] end [illegible] January. Analysts' upgrades lifted profits [illegible] per cent to [illegible]. The [illegible] 2 to 241p.

Glaxo bounces

Internationally [illegible] pharmaceuticals group Glaxo [illegible] in [illegible] uncertain market [illegible] US [illegible] a [illegible] seat, prompting technical buying in London. The shares closed [illegible] stronger [illegible] 668p, [illegible] turnover heavier than [illegible] 7.5m.

Dealers [illegible] US investors [illegible] been very heavy buyers [illegible] puts – a [illegible] derivatives [illegible] investor to sell [illegible] later [illegible] price [illegible]. Put buying is [illegible] carried [illegible] a hedge against possible bad news, and in this [illegible] it was [illegible] Union [illegible] on Tuesday night [illegible] caused [illegible].

In [illegible] event, [illegible] analysts [illegible] reassured [illegible] at [illegible] not flustered by the president's comments [illegible] care reform. The [illegible] stayed away and UK [illegible] maintained [illegible] positions for [illegible] time bought [illegible] books.

However, [illegible] "$20 [illegible] a floor [illegible] the way [illegible] and will [illegible] a [illegible] on the [illegible] up." The UK closing price equated [illegible] price of $19¾.

Reports of [illegible] deal between Cadbury Schweppes and Cott Corporation, of Canada, in which [illegible] UK [illegible] will [illegible] 'own label' drinks in continental Europe undermined the shares.

Some in the [illegible] interest between [illegible] two [illegible], arguing that Cadbury could [illegible] its branded products by producing cheaper generic versions for Cott. [illegible] between [illegible] two product types has [illegible] a prominent [illegible] in the food industry, particularly [illegible] the past year.

However, Cadbury supporters argued [illegible] the move solved [illegible] company's spare capacity problem. Cadbury shares retreated 5 [illegible].

[illegible] retailers were [illegible] under pressure [illegible] William Low [illegible] depressed margins [illegible] cautioned [illegible] future trading. The shares dropped 17 [illegible] 174p. Argyll slipped 7 [illegible] 274p, [illegible] 2 to [illegible] and [illegible] Save 8 [illegible] 621p. J. Sainsbury rallied to [illegible] 4 [illegible] 447p.

A profits warning from Hogg Group, [illegible] insurance broker, [illegible] the company's shares plunge 22 to [illegible] low [illegible] 130p. There was exceptionally [illegible] in other broking stocks, however, with much [illegible] it transacted at prices [illegible] ruling [illegible] levels, according [illegible] the [illegible]. Sedgwick settled [illegible] off at 196p and Willis Corroon [illegible] at 229p [illegible] turnovers [illegible] 3.6m and [illegible].

The bid story in [illegible] refused to lie down, [illegible] market still [illegible] by the prospect [illegible] UAP, Europe's [illegible] insurance [illegible], might [illegible] against one [illegible] quoted [illegible] companies.

Independent Insurance [illegible] 314p [illegible] closing [illegible] ahead [illegible] 311p. And there [illegible] persistent [illegible] UAP [illegible] targeted Royal Insurance's telephone insurance division, The Insurance Service, [illegible] UK [illegible] biggest direct insurance group after Royal Bank of Scotland's Direct Line subsidiary. Dealers noted further underlying support for Royal, which ended a net 2 off at 327p.

Sun Life's good new business figures drove Transatlantic shares up 16 to 436p.

Banks took a back seat and reacted to widespread profit-taking. Smith New Court was seen as a big seller of TSB, which retreated 4 to 280p on [illegible] traded. Abbey National options [illegible] again heavily dealt, [illegible] underlying shares closing [illegible] up [illegible] 507p.

Cray Electronics [illegible] 192p after [illegible] S.G. Warburg recommendation. Warburg [illegible] company's [illegible] price/earnings [illegible] prospects [illegible] least 35 to [illegible] per [illegible] outperformance in [illegible] 18 [illegible] months.

The [illegible] the Brann Direct Marketing subsidiary [illegible] management buy-out for £8.15m, plus [illegible] buy [illegible] from BZW, [illegible] ACT shares [illegible] to 179p.

GEC was one of the [illegible] most actively traded stocks, moving up [illegible] 3½ [illegible] 340p [illegible] 10m, still boosted by Hoare [illegible] buy note. [illegible] Lyonnais Laing and [illegible] were also recommending [illegible] stock.

Pearson [illegible] to 664p [illegible] Lehman [illegible] and [illegible] Crosthwaite. Lehman [illegible] its [illegible] by [illegible] to [illegible] targeted [illegible] price of [illegible] within 12 months.

Public relations group Shandwick improved 8, [illegible] 22 [illegible] cent, [illegible] 43½p [illegible] S.G. [illegible] burg [illegible] the [illegible] up [illegible] following figures on Tuesday.

Mirror Group Newspapers [illegible] 195½p, [illegible] market deciding it [illegible] going [illegible] battle for [illegible] The Independent, [illegible] UK newspaper. Mr Tony O' Reilly's [illegible] Independent [illegible] by some [illegible] winner, and United Newspapers, which [illegible] a printing arrangement with [illegible] Irish group, gained 7 at [illegible] hopes [illegible] printing [illegible].

Engineering group Bullough forged ahead [illegible] to 186p [illegible] improved figures. BBA Group fell 9 [illegible] Capel [illegible] that [illegible] preferred other [illegible] in [illegible] engineering [illegible]. The [illegible] still has [illegible] on [illegible] hold list. [illegible] rose to [illegible].

British Steel brushed [illegible] profits downgrading from S.G. Warburg and closed a penny firmer [illegible] 132½p. Turnover remained high, reaching 29m [illegible].

MARKET REPORTERS: Christopher Price, [illegible] John, [illegible], Steve Thompson.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (194).

GILTS (1) Conversion 3½pc '61 Aft., BANKS (3) ANZ, Nat. Australia Bank, [illegible] Bank, BREWERIES (2) Fuller S.T.A., Regent Inns, BUILDING & CNSTRN (8) Allen, Ashtead, Avonside, Kajima, McCarthy & Stone, Shorco Group, BLDG MATLS & MCHTS (3) Helton, Marshalls 6½pc Cnv Pf, Meyer Intl., DISTRIBUTORS (3) Dagenham Motors, Heritage, Polar, DIVERSIFIED INDLS (6) Antofagasta, Armour Trust, Lonrho, Pacific Dunlop, Williams Hldg 5½pc Cv. Prf., ELECTRICITY (7) East Midlands, London, Manweb, Northern, Seeboard, South Wales, South Western, ELECTRNC & ELECT EQUP (10) Abacus, Cray E'tronic, Denks Bus. Systems, Farey, Fujitsu, Industrial Control Servs, Kenwood Appliances, Microvitec, Palon, Whitecroft, ENGINEERING (18) ENG. VEHICLES (1) Avon Rubber, EXTRACTIVE INDS (5) Niugini Mining, Samson Exploration, Wankie Colliery, Westralian Res., Willoughbys' Cons Ptd., FOOD MANUF (2) Assoc. Brit. Foods, Nestle', HEALTH CARE (2) Biotrace Intl, Coun Cavendish, INSURANCE (4) Bradstock, Fenchurch, Independent Insce, Nelson Hurst, INVESTMENT TRUSTS (37) INVESTMENT COMPANIES (14) LEISURE & HOTELS (7) Castle Comms, G.R., Hornby, Kunick, Parkdean Leisure, PizzaExpress, Stakis, LIFE ASSURANCE (2) Transatlantic [illegible] 6pc Cv Pf, MEDIA (16) BANKS (1) Warburg (S.G.), OIL, INTEGRATED (1) Petrofina, OTHER FINANCIAL (12) OTHER SERVS & BUSNS (2) Filofax, Rodime, PHARMACEUTICALS (1) Elan, PRTNG, PAPER & PACKG (2) NMC 7¾pc Acc. Rd. Pf, Portals, PROPERTY (10) Allied Lon. 5¾pc Cv. Rd. Pf, Anglo St. [illegible] Chesterfield, Do. 5¾pc Cv Cm Pf, City Site Ests, Etonbrook, Ewart, Gt. Portland, Highcroft Inv. Trust, Warnford Inv., RETAILERS, GENERAL (2) Amotts, Austin Reed, SUPPORT SERVS (4) MITIE, Mleys, Page (M), Select Appointments, TELECOMMUNICATIONS (1) Security Services, TEXTILES & [illegible] Alexandra Workwear, Beckman (A), Forminster, Lamont, Parkland, TRANSPORT (6) Bergesen 'A', Fisher (J), Forth Ports, Mayne Nickless, National Express.

NEW LOWS (8).

GILTS (3) Exchequer 12 1/2 pc 1994, Treasury 10pc Ln. 1994, Treasury 14 1/2 pc 1994, DISTRIBUTORS (1) Intl Food Machinery, ENGINEERING (1) [illegible] INSURANCE (2) Aon, Hogg, OTHER FINANCIAL (1) Berry, Birch & Noble, SUPPORT SERVS (1) Penna.

EQUITY FUTURES AND OPTIONS TRADING

A mildly disappointing [illegible] gilts [illegible] and [illegible] in the bund [illegible] gave [illegible] a further opportunity for profit-taking in [illegible] futures, [illegible].

Early weakness [illegible] the March futures [illegible] on the FT-SE 100 [illegible] opened at 3,444 gave way to a modest advance [illegible] independent [illegible] sporadic buyers.

However, [illegible] outcome of [illegible] mid-morning [illegible] bond auction covered just 1.21 [illegible] proved disappointing and [illegible] March emerged, driving [illegible] lower. The consequent [illegible] in UK [illegible] and in the [illegible] proved further reasons for selling and [illegible] fell [illegible] a 7-point discount [illegible] early in the afternoon.

The day's low was 3,430, [illegible] bargain hunting as [illegible] improved in early trading helped March [illegible] some [illegible] loss. It finished [illegible] 3,439, [illegible] 9 from [illegible] previous [illegible] a 4-point discount [illegible] fair value premium to [illegible] of about 7 points. Volume improved to 13,836 lots.

The expiry [illegible] January [illegible] options brought strong activity [illegible] traded options sector. Turnover rose to [illegible] contracts, though trading in the FT-SE 100 option was little changed and volume closed at [illegible] 3,153 contracts [illegible] dealt in the [illegible] FT-SE 100 option.

British [illegible], [illegible] subject [illegible] January expiry, [illegible] actively traded [illegible] option [illegible] a day's total of 6,768 lots. It was followed by British Gas at 2,624 and Abbey National, in which Kleinwort [illegible] was [illegible] have carried out a big trade in the June calls.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	[illegible]	Open int.
Mar	3444.0	[illegible]	-11.0	[illegible]	[illegible]	16245	67323
Jun	-	3450.5	-11.0	-	-	0	7799
Sep	-	3473.0	-11.0	-	-	0	300

Contract traded on APT. Open interest figures are [illegible] day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3436) £10 per full index point

	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P
Feb	[illegible]	8	154½	14	112½	22	77½	36½	48	58½	28	89½	15	131	8	176½
Mar	[illegible]	[illegible]	171	32½	134½	45½	102	63	73½	85	52½	[illegible]	35	[illegible]	22	[illegible]
Apr	[illegible]	[illegible]	187	46½	149½	60	120½	80½	91½	102	71	[illegible]	50½	161	[illegible]	197½
May	[illegible]	[illegible]	208	60½	172	77	141½	96½	112½	117	[illegible]	117	[illegible]	175½	54½	210½
Jun			222	71			169	106			[illegible]	154			86	216

[illegible] 5,563

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P
Feb	[illegible]	9½	134	15½	94½	28½	61½	45½	37	70	20½	104	11	144	5	187½
Mar	[illegible]	27	162	37½	117	52	87	71½	62	96	42½	126½	28	161½	17½	200½
Apr			170	54			108½	91			64	145½			34½	215
Jun			203½	75½			144½	114½			96½	[illegible]			61	226½
Sep			241½	99			182½	136½			134	184½			96½	243½

Calls [illegible] Puts 1,064 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Jan 26	Day's chge%	Jan 25	Jan 24	Jan 21	[illegible]	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	[illegible]	-0.2	[illegible]	3461.4	[illegible]	[illegible]	[illegible]	5.12	24.28	2.39	[illegible]
FT-SE Mid 250	4079.7	[illegible]	4091.1	[illegible]	[illegible]	[illegible]	[illegible]	4.69	26.24	7.21	[illegible]
FT-SE Mid 250 ex Inv Trusts	[illegible]	[illegible]	4105.2	4115.0	[illegible]	2983.6	3.06	5.01	[illegible]	7.37	[illegible]
FT-SE-A 350	[illegible]	-0.2	1742.6	1758.3	[illegible]	[illegible]	[illegible]	5.02	24.71	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.38	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	[illegible]	-0.1	2003.68	2003.58	1990.41	[illegible]	[illegible]	3.73	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	1724.56	-0.2	[illegible]	1742.66	[illegible]	1373.87	[illegible]	4.90	[illegible]	[illegible]	1317.87

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

TRADING VOLUME

■ Major [illegible] yesterday

	Vol. 000s	[illegible] price	[illegible]
ASDA Group†	[illegible]	[illegible]	+½
Abbey National†	7,200	506	+4
Albert Fisher	99	72	[illegible]
Allied-Lyons†	[illegible]	652	[illegible]
Anglian Water†	1,600	[illegible]	-16
Argos	168	[illegible]	-7
Argyll Group†	6,200	274	-7

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday [illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

* Underlying security price. Premiums shown are based on closing offer prices.
January 26 . Total contracts: 50,834 Calls: [illegible] Puts: 10,992

TRADITIONAL OPTIONS

First [illegible]	Jan. 24	Last Declarations	April 21
Last [illegible]	[illegible]	For settlement	[illegible]

Calls: Alvis, Bula Res., Filofax, First Nat. Finance, Hanson Wts., Lovell (Y.J.), Rodime, Seafield, Shandwick. Puts: First Nat. Finance, London Intl. Puts & Calls: Bula Res., Kunick, London Intl., Wiggins Grp.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	70	7
Other Fixed Interest	3	12	0
Mineral Extraction	73	58	72
General Manufactures	142	165	377
Consumer Goods	38	54	105
Services	104	130	[illegible]
Utilities	13	25	[illegible]
Financials	113	93	[illegible]
Investment Trusts	66	118	[illegible]
Others	27	56	31
Totals	585	[illegible]	1354

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	66.8	73	[illegible]	Baring Emrg Euro	70	-½	-	-	-	-
-	F.P.	10.9	49½	33¾	Do Warrants	44	-1¼	-	-	-	-
100	F.P.	63.7	100	96	Fairbairn Eur Sm	96		-	-	-	-
-	F.P.	39.9	113	101½	Finsbury Under'wrt	113		-	-	-	-

[illegible]

† Introduction. § Placing price. F.P. Fully-paid security. [illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Jan 26	Jan 25	Jan 24	Jan 21	Jan 20	Yr ago	*High	*Low
Ordinary share	[illegible]	[illegible]	2671.1	[illegible]	[illegible]	[illegible]	2671.1	[illegible]
Ord. div. yield	[illegible]	3.52	[illegible]	3.50	[illegible]	4.32	[illegible]	3.49
Earn. yld. % full	[illegible]	3.98	[illegible]	3.96	3.97	[illegible]	6.38	[illegible]
P/E ratio net	31.67	31.70	[illegible]	[illegible]	31.77	[illegible]	31.91	19.40
P/E ratio nil	[illegible]	[illegible]	[illegible]	29.52	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	225.3	226.1	[illegible]	230.7	[illegible]	67.5	[illegible]	[illegible]

*For 1993/94. Ordinary share index since compilation: high 2671.1 24/01/94; low 49.4 26/6/40
Predecessor Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2641.0	2645.2	2651.8	2650.6	2649.0	2651.8	2640.7	2641.4	2642.3	2653.7	2639.3

	Jan 26	Jan 25	Jan 24	Jan 21	Jan 20	Yr ago
SEAQ bargains	[illegible]	38,411	[illegible]	41,888	[illegible]	36,362
Equity turnover (£m)†	-	[illegible]	[illegible]	2004.5	2527.7	[illegible]
Equity bargains†	-	43,294	[illegible]	[illegible]	[illegible]	[illegible]
Shares traded (ml)†	-	857.9	720.1	[illegible]	[illegible]	694.8

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or −	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23¾	+⅜	£26¼	£18¼	6,588	4.4	12.5
ANZ A$		253	+½	253¼	130	3,309	3.6	ϕ
Abbey National	†□	505	+4	524	345	6,633	2.9	19.5
Allied Irish I£	♣†□	298	+3	314	179	1,983	3.5	15.2
Anglo Irish I£	N□	67xd	−1	*70	28	163.0	6.3	ϕ
Asahi Y		682	+37⅞	844	415	15,823	0.7	–
Banco Bil Viz Pta		£14⅜	+⅛	£17⅞	£13⅞	3,398	5.6	6.6
Banco Sant Pta		£32⅛	––	£36	£24⅞	3,589	4.1	12.2
Bank Leumi (UK)		376	——	376	325	29.8	5.7	–
Bk Ireland I£	♣u□	308	——	*319	177	1,451	4.0	22.7
Bank Scotland	♣†□	241	−2	247	116½	2,805	2.4	32.7
9¼pc Pf		140	−¼	140⅛	117¾	140.0	8.3	–
9¾pc Pf		147	——	147½	123½	147.0	8.3	–
Barclays	‡N□	625	−4	662	382	10,143	2.5	–
Dai Ichi Kan Y		£11½	+⅛	£16⅞	£8⅞	35,888	0.5	63.8
Deutsche DM		£306¼	+2⅛	£348⅜	£250½	14,577	2.0	–
Espirito Santo		£24⅛	+⅛	£25¼	£16½	266.9	3.2	6.0
First Nat Fin	□	89xd	+2	*95	45	148.4	2.1	ϕ
6.3pc Cv Pf		88xd	——	*91	55	6.92	8.9	–
7pc Cv Pf		164½xd	——	167½	106	78.1	5.3	–
Fuji Bank Y		1276½	+24	1651	876	96,964	0.4	–
HSBC HK	†□	960	−13	1007	[illegible]	16,387	2.6	23.0
HSBC (75p Shs)	†□	943	−11	993	[illegible]	7,742	2.7	22.6
Lloyds	†□	630	−7	680	492	8,089	3.8	18.0
Mitsubishi [illegible]		£17⅜	+⅛	£19⅜	£11⅞	50,331	0.3	–
Mits Tst & B[illegible]		828	+30	1012½	462½	10,782	0.6	13.3
Mitsui Tst & [illegible] Y		658¼	+24	852	374	7,894	0.8	22.4
Nat Aust A$		588	+4½	595	322	7,702	3.9	ϕ
NatWest	†□	594	−8	634	398	9,872	3.7	36.1
Ottomane FFr		£33	+1	£33	£23¼	165.0	4.5	3.7
Ryl Bk Scotland	♣N□	474xd	−1	482	207	3,763	2.9	21.4
Sakura Y		£9⅞	+⅛	£11	£5⅛	30,382	0.6	57.2
Sanwa Y	s	£13⅛	+⅞	£16	£7⅛	38,060	0.4	–
Standard Chartd	†□	1315	+5	1370	576	3,131	1.9	–
Sumitomo Y		£13⅛	+⅛	£16⅛	£8⅞	41,021	0.4	29.1
Sumitomo Tst Y		773¼	+27	967½	437½	9,822	0.7	60.6
TSB	♣N□	280	−4	291	145½	4,260	3.5	21.7
Tokai Y		£7⅜	+⅛	£9⅞	£4⅞	15,468	0.7	51.0
Toyo Tst & Bk Y		664½	+35¼	840	411	5,222	0.7	59.3
Westpac A$		237	——	237	121	4,155	2.3	ϕ
Yasuda Tst Bk Y	‡	624¼	+16	880	343	5,789	0.9	45.8

BREWERIES

	Notes	Price	+ or −	high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	8½	−1	16½	4½	30.1	–	–
Bass	♣N□	579xd	——	847	441	6,825	4.3	19.7
Boddington	†□	391	−1	299	189	338.9	3.4	18.4
Burtonwood		180xd	−2	193	129	37.4	3.3	15.0
Eldridge,Pope A	♣	165xd	−1	181	75	32.1	2.7	ϕ
Fosters A$		64	——	70½	50	2,059	4.3	ϕ
Fuller STA	♣†	460	−3	465	238	93.4	2.0	19.7
Gibbs Mew	♣†	393	——	403	148	25.2	2.6	19.3
Greenalls	♣N□	470xd	−13	511	347	980.9	3.3	16.2
[illegible]								

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL, EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap £m	Yld Gr's	P/E
Anglo Am Ind		£13½	—	£13½	£7½	808.4	5.2	11.4
Barlow Rand		24½	-⅛	£10⅝	£4	810.0	7.9	7.5
Gold Fields SA R		£14⅞	—	£18	£7¼	1,417	2.8	24.2
NK Props		90	—	97	69	2.82	15.1	ϕ
SASOL	♥	289	-3	308	215	1,637	6.4	–
SA Brews		£12⅞	+⅛	£15⅞	£7⅞	6,734	2.2	20.8
Tiger Oats		713	—	838	513	1,071	2.3	15.1
Tongaat-Hulett	†	468xd	+16	472	212	350.3	3.2	13.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service [illegible] by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries [illegible] Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend [illegible] in the notes column daily as a guide to yields and P/E ratios. [illegible] and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest an[illegible] and accounts and, where possible, are updated on interim [illegible] P/Es are calculated on "net" distribution basis, earnings per sh[illegible] computed on profit after taxation, excluding exceptional profits/lo[illegible]d unrelieved ACT where applicable. Yields are based on mid-prices, [illegible]ss, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Inv[illegible] Trusts, in pence per share, along with the percentage discounts [illegible] or premiums (Pm -) to the current closing share price. The NAV ba[illegible] prior charges at par value, convertibles converted and warr[illegible] exercised if dilution occurs.

- □ Indicates the most actively [illegible] includes UK stocks where transactions and pr[illegible]ed continuously through the Stock Exchange Automated [illegible] tem (SEAQ) and non-UK stocks through the SEAQ I[illegible].
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dea[illegible] under rule 535(4)(a)
- ♣ Free annual/interim report [illegible] details below.
- ✤ USM; not listed on Stock E[illegible] ompany not subjected to same degree of regulation [illegible]
- ‡‡ Not officially UK listed; dea[illegible] under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pe[illegible] scrip and/or rights issue.
- ♦ Merger bid or reorganisation in p[illegible]
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
k Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

v Not s[illegible]
z Divid[illegible] ludes a [illegible]ment
F Yield [illegible] prospec[illegible] official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993
[illegible] on [illegible] other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.

N Figures based on [illegible]
[illegible] on [illegible] other [illegible] for
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

TSB Unit Trusts - Contd.

T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

AXA Equity & Law Life Assce - Contd.

Britannia Life Ltd

Canada Life Group

Crown Financial Management Ltd - Contd.

Eagle Star Life Assurance Co Ltd

Henderson Administration(z)

Lifetime Assurance Co Ltd - Contd.

Lincoln National

Midland Life Limited - Contd.

NM Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd

OTHER UK UNIT TRUSTS

INSURANCES

AXA Equity & Law Life Assce

Britannia Life Assurance

Lifetime Assurance Co Ltd

Midland Life Limited

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) [illegible] for more details.

Foreign & Colonial Mngmt (Jersey) Ltd

Union Luxembourg SA – Contd.

Nomura Global Fund (z)

PRICOA Worldwide Inv Portfolio Sicav (z)

Regent Global Fund (z)

Sarasin Investment SICAV (z)

Greece Fund Ltd

DB Investment Management SA

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Profit takers chip at £

Technical factors caused sterling [illegible] lose ground yesterday during London trading, but analysts said it remained underpinned by sound [illegible] fundamentals, [illegible] Philip [illegible].

Against the background of another quiet day in the markets, the pound [illegible] against the D-Mark on profit-taking following the currency's recent [illegible] through the DM2.62 level. It [illegible] ended [illegible] against the [illegible].

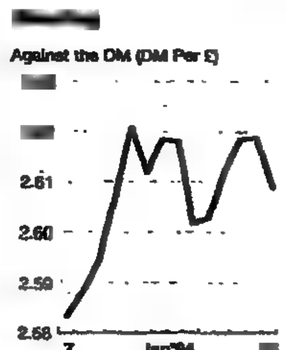
The atmosphere in the [illegible] kets [illegible] likened to a "phoney war" [illegible] trading in fairly narrow [illegible], awaiting new information [illegible] give them renewed impetus. The [illegible] weakness of the D-Mark continued [illegible] trigger some activity, particularly in European currencies, with [illegible] Portuguese authorities yesterday following the example of [illegible] central [illegible] in announcing [illegible] cut.

■ The yen remained fairly [illegible] ble yesterday following [illegible] apparent breakdown of [illegible] talks [illegible] the [illegible] Japan. The Japanese [illegible] in London at [illegible] the dollar, up from Tuesday's close of Y111.155.

Mr Gerard Lyons, chief economist [illegible] DKB International, [illegible] "The yen [illegible] remaining well underpinned despite [illegible] political [illegible] tainty. The [illegible] perceives the [illegible] political [illegible] indicating the US authori[illegible] wanting to keep [illegible] firm." [illegible] and political uncertainty normally undermine [illegible], but in [illegible] a firmer [illegible] seen [illegible] assisting [illegible] US achieve [illegible] aim [illegible] the narrowing [illegible] with Japan.

Earlier [illegible] dollar had weakened during Japanese trading following reports [illegible] Mr Fred Bergstan, director of [illegible] think-tank, [illegible] Institute for International Economics (IIE), [illegible]uld [illegible] his target range [illegible] dollar [illegible] Y90-110 from Y100-110. Dealers said Mr Bergstan was believed to have considerable influence in U.S. government circles.

Others questioned the logic that had taken the US cur[illegible] lower, saying [illegible] dollar around Y90-100 would [illegible] good either for Japan or [illegible] world economy. It [illegible] the US Federal [illegible] August to support the [illegible] it [illegible].



Source: FT Graphite

■ Pound in [illegible]	Latest	[illegible]
£ spot	1.4935	[illegible]
1 mth	1.4905	[illegible]
3 mth	1.4853	[illegible]
1 yr	1.4712	[illegible]

Mr Lyons [illegible] still regarded the [illegible] strong currency in [illegible] longer term, there [illegible] short-term [illegible] if the [illegible] political [illegible] an early [illegible] which [illegible] vul[illegible].

■ Sterling [illegible] against [illegible] dollar closing in London [illegible] $1.4926, [illegible] $1.494 [illegible] Monday. Against [illegible] it fell nearly a pfennig, finishing [illegible] compared [illegible] day's close of [illegible]. Observers [illegible] pound appeared [illegible] run [illegible] steam, having appreciated steadily against [illegible] in [illegible] further [illegible] due to underlying bullish [illegible] ment, [illegible] on a [illegible] of [illegible] figures indicating solid [illegible] growth [illegible] inflationary [illegible]. Analysts [illegible] it [illegible] unlikely yesterday's weak[illegible] in sterling [illegible] cern about [illegible] government's political weakness. [illegible] Steve Barrow, economist [illegible] Bank, commented: "The political factors have been [illegible] for quiet a while and if they were going to have any bearing they [illegible] probably [illegible] ago."

■ [illegible] newly independent [illegible] of [illegible] will [illegible] in the spotlight today [illegible] council [illegible] again. [illegible] will [illegible] setting monetary tar[illegible] tion will [illegible] prepared [illegible] ease monetary policy independently [illegible] bank [illegible]. Although underlying economic conditions are thought [illegible] support a [illegible] cut, it [illegible] expected. Most observ[illegible] anticipate [illegible] will not [illegible] to compromise [illegible] credibility [illegible] an early monetary easing. Mr [illegible] "The [illegible] finding its feet as far as monetary policy [illegible] concerned. It [illegible] run the [illegible] losing its credibility [illegible] it [illegible] gained if it [illegible] so [illegible] doing something [illegible] from [illegible] predecessor." The French franc yesterday [illegible] slightly [illegible] against [illegible] D-Mark [illegible] compared [illegible] Monday's [illegible].

■ The [illegible] generally higher [illegible] European trading yesterday. Hopes [illegible] lower [illegible] in spite [illegible] encouraging [illegible] fig[illegible] of [illegible] prospect [illegible] poor [illegible] supply data for December [illegible] rency. Bundesbank deputy president Mr Johann Wilhelm [illegible] German [illegible] supply growth will [illegible] the Bundesbank's [illegible] per [illegible] get ceiling in December, a judgement endorsed by another Bundesbank [illegible] member, Mr Otmar Issing. The D-Mark [illegible] the dollar, [illegible] on Tuesday.

● The [illegible] of Portugal [illegible] regular intervention [illegible] by ½ point [illegible] yesterday. The rate [illegible] initially prompted [illegible] strong [illegible] in [illegible] escudo, [illegible] later [illegible] European trading [illegible] returned [illegible] levels [illegible] late on Tuesday of around [illegible] D-Mark.

■ The [illegible] of England yesterday provided [illegible] assistance of about [illegible] in its daily money market operations. It [illegible] earlier provided [illegible] of assistance [illegible] the [illegible] rate of [illegible] per [illegible]. The early [illegible] of [illegible] shortage of £950m [illegible] later revised [illegible] to [illegible] £800m.

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr
Belgium	(BFr)	100	18.75	16.38	4.626	1.936	4697	5.407	20.74
Denmark	[illegible]	[illegible]	10	[illegible]	[illegible]	[illegible]	2505	2.885	11.07
France	[illegible]	[illegible]	11.44	10	2.947	1.176	[illegible]	3.301	[illegible]
Germany	[illegible]	[illegible]	3.883	[illegible]	1	[illegible]	[illegible]	1.120	[illegible]
Ireland	[illegible]	51.91	9.731	[illegible]	[illegible]	1	[illegible]	2.807	10.77
Italy	[illegible]	[illegible]	[illegible]	[illegible]	0.103	[illegible]	[illegible]	0.115	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close January 26

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
16	11½	AAR	[illegible]	3.0	529	297	16	15⅞	15⅞	
29⅜	12¾	A L Labs A	[illegible]	1.2	35	344	15⅝	15⅛	15¼	-¼
67¼	54⅜	AMP	[illegible]	2.5	22	1891	63⅝	63	63¼	-¼
72¾	55½	AMR			33	2096	68½	67¾	68½	+⅛
4½	1¾	ARX			17	222	4⅛	4¼	4¼	-⅛
58⅛	29⅞	ASA	2.00	3.7	35	711	53½	52½	53½	+⅞
30¾	22⅝	AbbtL	0.68	2.4	16	6934	28¾	28⅛	28½	+⅛
13	8¼	Abitibi Pr	0.50	4.1	7	13	12¼	12⅛	12⅛	
15⅝	8⅛	Acptncwtn			24	28	13½	13¾	13¼	-¼
38	25½	ACE Ltd	0.40	1.4	5	321	29	28⅛	28⅜	-½
12⅜	10¾	ACM Gvt In	1.08	8.5		546	12⅜	12¼	12⅜	+⅛
10⅛	9⅛	ACM GvOpp	0.80	8.0		50	10	9⅞	10	
10⅝	8¾	ACM Gvt Sp	0.95	9.4		422	10¼	10⅛	10⅛	-⅛
12¼	10½	ACM Gvt Se	1.04	8.8		447	11⅞	11¾	11¾	
12¼	9⅝	ACM Man	1.08	9.4		427	11½	11⅜	11½	
9⅞	8⅝	ACM Managd	0.72	7.9		116	9¼	9⅛	9⅛	
12⅜	7¾	AcmeCle	0.44	4.3	12	203	10¼	10	10¼	+¼
11⅞	6⅞	Acme Elect				112		7⅞	8⅛	+⅛

- Continued on next page

هكذا من الأصل

هكذا من الأمل

4 pm close January 26

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
65 1/2	37 1/2	StJoePaper	0.20	0.4	275	171	[illegible]	52 1/4	[illegible]	
[illegible]	28	StJosL&P	[illegible]	6.3	11	17	[illegible]	28 1/4	28 1/2	+1/4
98	75	StPaul	[illegible]	3.2	8	1196	87 1/2	86 1/4	86 3/4	-1/8
11 3/8	6 1/8	Salant Crp			[illegible]	[illegible]	8 5/8	8 1/4	8 3/8	-1/4
75 1/4	39 7/8	SalBo Moe	1.40	[illegible]	[illegible]	[illegible]	47 3/4	[illegible]	47 3/8	+1/2
14 3/8	12 5/8	Salomon Br	0.55	4.1		[illegible]	13 1/2	[illegible]	13 1/2	+1/4
[illegible]	34	Salomon	0.64	1.4	11	3702	46 5/8	44 7/8	46	+1 1/8
27 3/4	23	SnDgGE	1.48	6.2	12	1246	24	[illegible]	23 3/4	+1/4
5	3 1/2	SantaFeEDu	0.40	8.2	48	10	4 7/8	4 7/8	4 7/8	
11 7/8	8 5/8	SantaFeERs	[illegible]	[illegible]	[illegible]	670	9 1/2	9 1/4	9 3/8	-1/8
40 1/4	35 3/4	SantaFePac	2.80	7.1	18	40	39 1/2	39	39 1/4	+1/4
26 1/4	12 3/4	SantaFeP	0.10	0.4	13	3270	24 7/8	24 5/8	[illegible]	-1/8
31 1/8	21	SaraLee	0.64	2.6	17	6103	25	24 1/2	25	+1/2
52 1/4	40 1/8	Scana Corp	2.74	5.7	[illegible]	320	47 3/4	47	47 3/4	+5/8
[illegible]	18 3/4	Scecrp	1.42	7.4	13	8247	19 1/4	d18 3/4	19 1/4	+3/8
38 7/8	23 7/8	SchererRP			30	148	37 7/8	37 1/2	[illegible]	-3/8
71	51 1/4	SchPl	1.80	2.8	15	4605	63 5/8	[illegible]	[illegible]	+1
68 7/8	55 3/8	Schlmb	[illegible]	2.1	22	20424	57 5/8	d54 5/8	57 1/4	
38 1/8	18 1/2	Schwab(C)	0.28	1.0	13	3607	28 7/8	28	28 7/8	+1/2
7 3/4	5 5/8	Schnitzer			103	2	7 1/4	7 1/4	7 1/4	
38 7/8	17 1/4	SciAtl	[illegible]	[illegible]	46	[illegible]	32 1/4	31 3/4	31 7/8	-1/8
15	8 1/8	Scotmen	[illegible]	0.7	14	[illegible]	14 3/8	14 5/8	14 5/8	
44	31	ScottP	0.80	1.8	28	23348	u45 3/4	[illegible]	[illegible]	+2 1/8
28 5/8	14 1/4	ScudderNAsF	0.27	1.1		224	25 3/8	25	25 3/8	+1/4
11 1/8	7 1/2	ScudderNEuF	[illegible]	1.4		1180	u11 1/2	11	11 3/8	+3/8
31 1/2	16 1/4	SeaCnB	0.70	4.1	[illegible]	[illegible]	17 5/8	17 1/4	17 1/4	-1/4
17	15	SeaC1.4625	[illegible]	9.2		7	16 1/4	[illegible]	15 7/8	-1/4
30 1/2	24 1/2	Seagrm	[illegible]	[illegible]	37	[illegible]	[illegible]	[illegible]	29 3/4	
32 7/8	15	Seagull En			[illegible]	[illegible]	26	25 1/2	26	+1/4
32	21	Sealed Air			22	[illegible]	30	29 3/4	30	+1/2
60 1/8	42 5/8	SearsR	1.60	3.0	32	8712	53 7/8	52	53 7/8	+1 7/8
13 3/4	12 5/8	Seligm Sel	[illegible]	[illegible]		67	13 3/8	13 1/8	13 3/8	+1/4
35 5/8	20	Sensormat	0.30	0.9	34	1344	33 7/8	33 1/8	[illegible]	
34 3/4	18	SequaA	0.60	1.7	7	[illegible]	[illegible]	[illegible]	[illegible]	+3/4
35	17 3/4	SequaB	0.50	1.4	18	[illegible]	[illegible]	[illegible]	[illegible]	+5/8
26 1/2	17 7/8	ServCp	0.42	1.6	21	2127	25 7/8	25 5/8	25 7/8	
31	17 3/4	SvMstr	0.92	3.4	14	631	[illegible]	[illegible]	27	+1 1/2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 26

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

4 pm close January 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICA

Earnings data help Dow pick up after slide

Wall Street

After recording its biggest loss of the [illegible] the previous [illegible]sion, the Dow rallied yesterday morning in [illegible] to solid corporate earnings and firmer bond prices, *[illegible] Frank McGurty [illegible] New York.*

By 1 pm, [illegible] Industrial Average [illegible] 12.10 [illegible] 3,907.44, while the more broadly based Standard & Poor's 500 improved 2.08 to 473.00. In the secondary mar[illegible], [illegible] American SE [illegible]ite edged [illegible] to 480.51 and [illegible] Nasdaq composite [illegible] 1.73 [illegible].

Volume on the NYSE was heavy, with [illegible] by 1 pm. *Advancing* [illegible] declines, 1,102 to 878.

The negative [illegible] which [illegible] on Tuesday carried [illegible] yesterday's opening, with no fresh economic readings [illegible] to sway sentiment. By midday, the benchmark 30-year government bond [illegible] ½ higher to 98¾, with the [illegible] easing [illegible] per [illegible].

Corporate earnings again captured [illegible] attention. Among the cyclical issues [illegible] *were hit by profit-taking* [illegible] previous session, Bethle[illegible] rebounded [illegible] to [illegible] on [illegible] *strong* fourth quarter. Caterpillar, up [illegible], and Alcoa, [illegible] ⅜ to $76¼, [illegible].

Among [illegible] other [illegible] components, Philip Morris confirmed expectations [illegible] lower operating income because of *cigarette pricing cuts.* [illegible] appeared [illegible] have already [illegible] into the share price, *which edged* [illegible] *higher* [illegible].

Owens-Corning Fiberglass was marked up $1¼ to $42 after Merrill Lynch confirmed its favourable rating [illegible] stock [illegible] anticipation of [illegible] results in [illegible] final [illegible] quarter.

[illegible] *slipped $¾* to $32¾ [illegible] Tuesday's gain, but Citicorp jumped $1¼ [illegible] $40⅞ and Chemical Bank added $1 to $35½ and JP Morgan $⅝ [illegible] $69⅝.

General Dynamics, the defence contractor, instilled [illegible] *with* the [illegible] of good operating results. The stock gained $1⅝ [illegible].

Investors were unimpressed by Compaq which beat fore[illegible] with record fourth-quarter earnings and sales. Its share pri[illegible] *slipped $*[illegible] $81½. [illegible] Micro Devices [illegible] Com[illegible] revealed plans [illegible] begin buying AMD microchips.

International Business Machines, [illegible] $1½ [illegible], continued [illegible] amid uncertainty [illegible] prospects.

Storage Technology climbed $1 [illegible] on [illegible] fourth-quarte[illegible] *profit of 8* [illegible] share, against a [illegible] year [illegible].

Lotus Development jumped [illegible] to [illegible] after doubling [illegible] in the final three months of [illegible] positive sentiment failed [illegible] lift other Nasdaq technology issues. Intel shed $1⅞ to $63⅛ and [illegible] $84⅛.

Canada

Toronto moved [illegible] mid-session, supported by strength in [illegible] precious metals [illegible] *transportation* [illegible].

The TSE 300 composite index gained 9.39 [illegible] 4,465.60 [illegible] noon in turnover of 35.57m. Advances outpaced declines 304 to 283, with 341 [illegible] holding [illegible] ground.

The precious [illegible] sector [illegible] *177.01* [illegible] *1.7 per* [illegible] 10,919.29 on strong gold futures prices while the [illegible] *portation group leapt* [illegible] percent, [illegible] 4,123.47.

SOUTH AFRICA

Industrial [illegible] gathered pace [illegible] the close [illegible] gold shares softened slightly. *The industrial index added 5* at 5,457, [illegible] the golds and overall indices lost 6 each [illegible] and [illegible] respectively. [illegible] R1 at R195.

EUROPE

Strong Roche advance takes Zurich to record

Apart from a downturn among the emerging markets, [illegible] generally firmer, [illegible] *Our Markets Staff*, improving *on good economic news* in Germany and seemingly impervious to a general strike threat in Spain.

ZURICH posted a second [illegible]secutive record close, as the market again took [illegible] lead from [illegible] strong performance [illegible] *Roche.* [illegible] *SMI index rose* [illegible] to 3,091.3.

Roche certificates rose SFr145 [illegible] 2.1 per [illegible] on short covering by foreign and domestic investors. The [illegible] has risen by a cumu[illegible] per cent over [illegible] *two days, amid renewed* [illegible]lation that the company is planning [illegible] share split.

In chemicals, Ciba-Geigy bearers fell [illegible] after reports that a German regional environment minister had [illegible] on the [illegible] the [illegible] of cleaning up northern German beaches after packets of [illegible] of [illegible] pesticides were washed ashore.

FRANKFURT was cheered by further good news on inflation from the states [illegible] Bavaria and Hesse and retrieved most of Tuesday's post-bourse losses, the Dax index closing just 7.61 lower on the session at 2,119.17.

The afternoon saw the Ibis-indicated Dax [illegible] an [illegible]tual [illegible] to 2,128.66 after a period [illegible] weakness but Mr [illegible] Nolten, of B Metzler in *Frankfurt,* [illegible] *no message for* investors in this. "For several days," he said, "equities have simply followed movements on the bund market."

Influenced additionally by the movement of [illegible] futures, the market [illegible] currently a *traders' preserve, said Mr Nolten,* with investors on the sidelines awaiting [illegible] M3 figures. *Inflated by special factors,* M3 could rise by 7½ [illegible] 8 per cent for December.

Turnover fell [illegible] DM10.2bn [illegible] DM9.1bn. Lufthansa, which dropped [illegible] last Friday on profit-taking, put it back [illegible] again [illegible] close [illegible] yesterday with [illegible] powerless to explain [illegible] airline's gains. Mr Nolten saw buyers around for the retailer, Asko, but no stories to explain why [illegible] stock was up DM40 to DM1,265 yesterday, and by DM155, or 14 per [illegible] the [illegible] three days.

[illegible] closed the day slightly firmer with even Bouy[illegible], the construction [illegible], adding FFr4 to FFr735 in spite of reporting disappointing results. *The CAC-40* [illegible] rose 4.01 [illegible] 2,282.35.

Bouygues [illegible] in its [illegible]mated [illegible] for 1993 [illegible] Tuesday, showing a steeper [illegible] had [illegible] expected, owing [illegible] in its property division. [illegible] the sector Lafarge Coppée, up [illegible] to FFr474.00, said that it would not [illegible] results until mid-March, but would make [illegible] comment [illegible] trading activity at a meeting today.

Moulinex, which is not included in the CAC-40, performed well [illegible] announcing that it hoped to break even in *the nine months* to the end of December. The shares gained [illegible] FFr128.

MILAN picked up after [illegible] weak start, prompted by renewed political worries, [illegible] US [illegible] as buyers later in [illegible] day. The Comit [illegible] 627.57.

Turnover remained high, in spite of a two hour [illegible] electronic trading system, after Tuesday's all [illegible] record L895bn, which compared with [illegible] daily turnover of a mere *L50bn* during the summer [illegible].

Demand centred on the banks after BCI reported on Tuesday that parent company profits rose 1.7 per cent in 1993, in spite of big increases in tax payments and bad loan provisions. BCI rose L171 or 3.6 per cent [illegible] and Credito Italiano added L107 or 4.9 per cent to L2,306.

Among smaller stocks *attracting renewed attention,* Alitalia [illegible] L48.60 or 6 per [illegible] higher [illegible] after the weekend management [illegible] and indications that a more dynamic future is planned.

MADRID balanced [illegible]ing rally in bank [illegible] *against the threat posed by* today's general strike, coming [illegible] strongly on the credit [illegible] with [illegible] general [illegible] higher at a [illegible] high [illegible].

Turnover was virtually unchanged, [illegible] high [illegible]. In banks, BBV [illegible] by [illegible] Pta3,325 [illegible] Popular by [illegible] to Pta16,780.

AMSTERDAM softened slightly, the AEX index down 0.67 to 425.62, given weakness in the blue chips, such as Royal Dutch, off Fl 1.00 at *Fl 210.50. The AEX index eased* 0.67 to 425.62.

ING went in [illegible] opposite direction, rising Fl 1.30 to Fl 87.30, [illegible] news that it might be close to the sale of its UK insurance unit, Victory.

ISTANBUL dropped another 7 per cent, *the composite index* falling 1,598.57 to 21,128.64 as interbank overnight rates remained at 180 per [illegible] and the central bank twice sold dol[illegible] *to try to reverse the fall of* the lire. Incorporating rapid currency depreciation, the [illegible] has [illegible] 35 per cent in dollar terms over the past 13 days.

ATHENS was unmoved by new interest [illegible] per cent profit-taking. The general index [illegible] at 1,114.01.

Written and edited by [illegible], John Pitt and [illegible] Morgan

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

Jan 26 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	[illegible]
FT-SE Eurotrack 100	[illegible]	1488.99	1488.53	[illegible]	[illegible]	[illegible]	1491.32	[illegible]
FT-SE Eurotrack 200	1563.44	[illegible]	1564.15	1565.31	1568.16	1562.05	[illegible]	1582.49

	[illegible]	Jan 24	Jan 21	Jan 20	Jan. 19
FT-SE Eurotrack 100	[illegible]	1482.11	1471.66	1475.95	[illegible]
FT-SE Eurotrack 200	1564.22	1568.02	[illegible]	1560.50	1570.42

Base value 1000 (26/10/90); High/day: 100 - 1492.99; 200 - 1569.59 Low/day: [illegible] - 1487.82 200 - 1561.53

ASIA PACIFIC

Hopes of compromise on reform lift Nikkei by 2.6%

Tokyo

Equities [illegible] recovery they began [illegible] Tuesday, advancing by [illegible] per [illegible] favoura[illegible] remarks concerning [illegible] *potential compromise* [illegible] the government's political reform [illegible] encouraged buying from futures [illegible] foreign investors in [illegible] trading, *writes Wayne* [illegible] *Aponte in Tokyo.*

The Nikkei [illegible] average [illegible] 19,138.21, after *fluctuating* [illegible] 18,759 [illegible] 19,155. The Topix [illegible] of all first section issues [illegible] higher [illegible] 1,550.32.

According [illegible] domestic brokers, [illegible] vague comment from Mr Masaharu Gotoda, [illegible] in [illegible] ruling Liberal Democratic party (LDP), which [illegible] interpreted as supporting the nation's political reform mea*sures, sparked* [illegible] *after*[illegible] buying.

Mr [illegible] was reported [illegible] said [illegible] he [illegible] already [illegible] how [illegible] the measures reach [illegible] lower house. Furthermore, about 70 other members of [illegible] LDP have allegedly agreed to [illegible] favour [illegible] bills, which [illegible] house of parliament rejected [illegible] week.

Futures-led buy orders entered the market aggressively [illegible] in [illegible] session, [illegible]pled with foreign purchases, which pushed [illegible] intraday high. Foreign investors remained bullish [illegible] Japanese equities, [illegible] *domestic players watched* cautiously from the sidelines in spite of available evidence which now suggests otherwise.

Mr Norio Okutsu, manager of futures trading at Nikko Securities, [illegible] the day's gains marked [illegible] change in market sentiment, and he expects [illegible] buying to last for [illegible] of this week.

But, judging from the [illegible] of the [illegible] economy, below-average economic reports and [illegible] Bank of Japan's seeming unwillingness [illegible] cut the official discount rate, it [illegible] early for unbridled optimism.

Volume [illegible] estimated at [illegible] *shares, compared with* Tuesday's final 281m. Advances overwhelmed *declines by* [illegible] 114, *with* [illegible] issues unchanged. [illegible] in London the ISE/Nikkei [illegible] index closed [illegible] off [illegible] 1,281.11.

On [illegible] trading floor, computer equipment makers moved higher in tandem with the Nikkei average. NEC gained Y21 [illegible] and Fujitsu [illegible] Y15 to [illegible].

Steady buying lifted [illegible] electronic issues. Sony advanced [illegible] Y5,870, Pioneer Electronic moved Y80 higher [illegible] Y2,920 and Victor climbed Y30 to Y934.

Domestic brokers benefited from the day's gains, Nomura Securities *rising* Y50 [illegible] Y2,090, [illegible] Y40 [illegible] Y1,230 and Daiwa Securities Y40 [illegible] Y1,490.

In Osaka, [illegible] OSE [illegible] finished 431.10 ahead [illegible] 20,832.32 [illegible] volume of 55.7m shares.

Roundup

Pacific Rim [illegible] in sharply divergent directions. *Australia* [illegible] *Bombay* [illegible] closed.

HONG KONG fell 2.2 [illegible] cent, pressured by profit-taking and fears [illegible] Sino-British ties, although [illegible] demand [illegible] prices [illegible] their lows. The Hang Seng index was finally [illegible] 11,239.57 [illegible] touching 11,150.71.

Profit-taking pushed prices lower from [illegible] con[illegible] future of [illegible] after [illegible] warnings [illegible] Tuesday that it will not honour [illegible] contracts [illegible] Hong Kong's [illegible] airport after [illegible] in [illegible] colony in 1997.

Hutchison Whampoa slipped HK$1.50 [illegible] it denied market rumours [illegible] planned to spin [illegible] part [illegible] Hongkong [illegible] Terminals, in which it recently [illegible] stake.

MANILA dropped 3.4 [illegible] the market [illegible] to lack buyers [illegible] worries [illegible] looming oil price [illegible] talks between [illegible] *government and the* [illegible]national Monetary [illegible]. The composite [illegible] 2,985.61.

SEOUL moved ahead [illegible] fourth [illegible] blue chip shares were favoured over low-priced [illegible]. [illegible] composite [illegible] 2.28 higher [illegible].

KUALA LUMPUR [illegible] weak early trend [illegible] end higher [illegible] the market staged [illegible] rebound after [illegible] selling [illegible] prices lower.

The composite index gained 17.51, or 1.7 per cent, [illegible], after touching a low of 987.92 *in the morning as forced selling* [illegible] clients unable to meet margin calls sent share prices tumbling.

SINGAPORE recouped much of sharp early losses, helped by the rebound in the Malaysian market. *The Straits Times* Industrial index [illegible] 0.53 [illegible] after plunging more than [illegible] per [illegible] in morning trade.

TAIWAN finished modestly firmer in turnover that continued to shrink as trading interest was diminished by the high level of outstanding margin loans and seasonally high money market interest rates. The weighted index put on 9.99 at 5,845.50.

BANGKOK staged a moderate rally near the end of a lack[illegible] session. *The SET index* [illegible] 11.54 higher at 1,459.14 in light turnover of Bt11.9bn.

NEW ZEALAND closed firmer in reasonably active trade in spite of the holiday in Australia. The NZSE-40 capital [illegible] was up 3.42 at 2,284.11.

KARACHI finished higher as blue chip stocks posted fresh gains on institutional support. [illegible] KSE 100-share index closed 5.81 ahead at 2,284.88.

Warsaw leads the world in 1993

By George [illegible]

Poland and Hungary are to be added to [illegible] IFC's emerging stock market indices in April after turning in strong growth [illegible] year.

The [illegible] stock exchange, [illegible] in April 1991, [illegible] "far and away [illegible] best performing [illegible] in the world in 1993", [illegible] the IFC, [illegible] Washington-based [illegible] the World [illegible].

[illegible] WIG [illegible] climbed from 1,040.70 [illegible] 1993 to 12,349, [illegible] the IFC's price index [illegible] dollar gain of [illegible] per cent.

Turkey ranked [illegible] in the IFC's investable indices – [illegible] foreign buyers – advancing 211 [illegible] cent, while the Philippines, Indonesia, Thailand and Malaysia produced [illegible] more [illegible] 100 per [illegible].

Zimbabwe's investable index [illegible] five [illegible] was introduced on *June 30*, but still managed to show [illegible] 102 per [illegible] climb.

Hungary's [illegible] index produced a [illegible] 67 per cent gain, but the IFC said that all the emerging markets it considers investable for for[illegible] buyers produced better dollar [illegible] year than the S & P [illegible].

Mr Daniel Adams, [illegible] vice-president [illegible] capital markets, commented that many [illegible] the top performing [illegible] in [illegible] which [illegible] *significant* macro-economic and political reforms [illegible] help growth, including the privatisation [illegible] businesses [illegible] the liberalisation [illegible] trade, foreign invest[illegible] and [illegible] services.

[illegible] *con*[illegible] will [illegible] only with further improvements in regulatory regimes, *transparent* [illegible] *practices,* adoption of international audit and accounting standards, [illegible] *clearing and settlement arrangements,"* [illegible]

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. [illegible] stocks	Jan 21 [illegible]	Dollar terms % Change over week	Dollar terms % Change on Dec '93	Jan [illegible]	Local currency [illegible] % [illegible] over week	Local currency [illegible] on Dec '93
Latin [illegible]							
Argentina	(11)	1,030.75	+4.3	+3.7	631,664.72	+4.2	+3.6
[illegible]	[illegible]	326.51	+15.7	+41.2	164,916,136.9	+23.5	+62.0
[illegible]	(20)	627.67	+5.7	+13.6	1,094.14	+5.9	+13.7
[illegible]	(8)	741.79	+10.0	+16.1	1,070.16	+9.2	+15.4
[illegible]	[illegible]	1,041.82	+7.7	+4.1	1,395.46	+7.7	+4.0
Peru[8]	[illegible]	129.69	+5.4	+7.2	171.29	+4.6	+7.7
Venezuela[1]	[illegible]	593.64	+0.4	+0.3	1,453.39	+0.4	+2.3
East Asia							
China[4]	(16)	133.07	-6.7	-10.9	146.25	-6.7	-10.9
[illegible]	(130)	117.06	-0.2	-0.9	124.69	-0.3	-0.7
Philippines	(11)	321.14	+6.8	-5.7	424.31	+7.6	-4.5
Taiwan, [illegible]	(76)	131.71	+4.1	[illegible]	130.53	+3.6	-2.4
South [illegible]							
India[7]	(61)	*130.76*	*-4.5*	*+12.3*	*144.61*	*-4.5*	*+12.3*
Indonesia[8]	(31)	126.07	+1.5	+1.1	144.53	+2.1	+1.5
[illegible]	(61)	273.28	[illegible]	-19.4	276.22	-6.6	-18.0
Pakistan[9]	[illegible]	414.08	-0.8	+6.7	565.65	-0.7	+7.1
Sri Lanka[10]	(5)	203.31	+8.4	+14.7	219.45	+8.4	+14.9
Thailand	(62)	396.60	-8.7	-17.0	[illegible]	[illegible]	-16.7
Euro/Mid [illegible]							
[illegible]	(17)	280.76	+3.7	+23.3	477.91	+3.6	+24.3
Jordan	(5)	169.74	-0.6	+2.5	246.68	-0.5	+3.1
Portugal	(16)	124.48	+3.1	+9.4	151.18	+3.4	+9.4
Turkey[11]	(31)	259.08	-5.1	+21.9	1,831.79	-8.7	[illegible]
Zimbabwe[12]	[illegible]	195.69	-0.5	-3.2	244.63	-1.0	+14.6

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1984=100 except those noted which are: [illegible] 1 1991; (2)Dec 31 1992; (3)Jan [illegible] 1990; (4)Dec [illegible] 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 [illegible] (11)Aug 4 1989; (12)July 2 [illegible]

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JANUARY 25 1994 US [illegible] Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	[illegible] Div. Yield	MONDAY JANUARY 24 1994 [illegible] Index	Pound [illegible] Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	[illegible] ago (approx)
Australia (69)	177.04	0.4	[illegible]	[illegible]	161.33	[illegible]	[illegible]	3.09	[illegible]	[illegible]	[illegible]	[illegible]	166.70	[illegible]	[illegible]	[illegible]
Austria (17)	187.97	0.5	186.54	[illegible]	[illegible]	171.11	0.7	0.93	187.13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	137.41	[illegible]
Belgium (42)	163.63	0.9	162.38	114.97	149.11	[illegible]	[illegible]	3.93	[illegible]	[illegible]	[illegible]	147.61	[illegible]	[illegible]	[illegible]	141.95
Canada (107)	140.86	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	-0.4	2.61	141.67	[illegible]	[illegible]	[illegible]	134.47	[illegible]	112.89	112.89
Denmark (32)	264.43	1.0	[illegible]	185.79	[illegible]	244.40	1.1	[illegible]	[illegible]	[illegible]	[illegible]	238.28	241.83	269.46	[illegible]	[illegible]
Finland (22)	147.63	2.0	[illegible]	103.73	[illegible]	174.46	1.6	[illegible]	144.75	[illegible]	[illegible]	131.72	171.68	147.63	65.50	70.06
France (99)	177.71	0.4	[illegible]	[illegible]	161.93	[illegible]	[illegible]	2.81	177.00	175.41	125.11	[illegible]	[illegible]	[illegible]	142.90	148.64
Germany (59)	131.40	2.1	[illegible]	92.33	119.74	119.74	2.3	1.75	[illegible]	127.49	[illegible]	117.06	117.06	[illegible]	[illegible]	[illegible]
Hong Kong (56)	*471.18*	*-1.1*	*467.59*	*331.06*	[illegible]	*467.25*	*-1.0*	*2.33*	[illegible]	*471.95*	[illegible]	*433.36*	[illegible]	*506.56*	[illegible]	[illegible]
Ireland (14)	203.70	-0.7	202.14	143.12	[illegible]	200.44	-1.0	2.78	[illegible]	203.37	[illegible]	[illegible]	[illegible]	207.53	129.29	[illegible]
Italy (68)	69.60	0.8	69.07	48.90	[illegible]	88.47	0.6	1.86	69.09	68.46	48.83	[illegible]	87.94	78.93	55.21	[illegible]
Japan (469)	137.34	2.0	[illegible]	[illegible]	[illegible]	96.50	1.4	0.85	[illegible]	[illegible]	95.21	122.57	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]a (69)	452.65	-5.8	449.19	318.04	412.49	461.67	-5.8	1.51	480.64	476.33	[illegible]	[illegible]	511.37	[illegible]	[illegible]	[illegible]
[illegible] (18)	2481.52	0.3	2462.55	1743.57	2261.24	8424.38	0.3	0.60	2474.57	2452.37	1749.17	2251.81	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (26)	201.96	[illegible]	200.42	141.90	184.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	182.30	[illegible]	153.15	156.64
New Zealand (14)	70.94	0.6	70.40	[illegible]	[illegible]	66.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	71.75	41.34	41.34
Norway (23)	194.67	[illegible]	[illegible]	[illegible]	[illegible]	198.80	-0.2	1.28	[illegible]	[illegible]	137.99	177.64	199.28	195.63	[illegible]	144.21
Singapore (45)	332.56	[illegible]	330.03	[illegible]	303.06	[illegible]	[illegible]	[illegible]	341.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (60)	*252.34*	[illegible]	[illegible]	[illegible]	*229.94*	*242.57*	[illegible]	*2.38*	[illegible]	[illegible]	*175.55*	*225.99*	[illegible]	*280.26*	[illegible]	*156.65*
Spain (42)	147.24	2.2	146.11	[illegible]	134.17	[illegible]	1.5	[illegible]	144.12	[illegible]	101.87	131.14	155.96	[illegible]	[illegible]	129.84
Sweden (36)	216.18	-1.9	214.53	151.90	[illegible]	256.80	-2.1	[illegible]	[illegible]	218.41	155.78	200.55	262.37	220.38	[illegible]	[illegible]
Switzerland (49)	168.37	0.4	167.09	[illegible]	[illegible]	153.39	[illegible]	1.42	[illegible]	[illegible]	118.51	[illegible]	[illegible]	[illegible]	109.14	115.22
United Kingdom (215)	210.83	-1.1	[illegible]	[illegible]	192.12	209.22	-1.0	3.44	[illegible]	211.26	150.69	[illegible]	211.26	[illegible]	162.00	173.93
USA (518)	181.39	-0.2	189.93	[illegible]	[illegible]	[illegible]	-0.2	[illegible]	181.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	176.29	179.95
EUROPE (744)	172.72	[illegible]	[illegible]	[illegible]	157.39	[illegible]	[illegible]	2.71	[illegible]	*171.23*	[illegible]	[illegible]	167.42	173.63	134.16	[illegible]
Nordic (113)	209.37	-0.6	207.77	147.11	[illegible]	217.61	-0.7	1.14	210.61	[illegible]	[illegible]	[illegible]	[illegible]	212.08	142.13	[illegible]
Pacific Basin (722)	150.16	1.3	[illegible]	[illegible]	[illegible]	108.93	[illegible]	1.13	[illegible]	[illegible]	104.73	[illegible]	[illegible]	[illegible]	[illegible]	106.79
Euro-Pacific (1466)	159.39	0.7	[illegible]	111.99	[illegible]	131.37	[illegible]	[illegible]	[illegible]	[illegible]	111.86	[illegible]	[illegible]	162.67	*119.43*	*120.02*
North America (625)	188.25	-0.2	[illegible]	132.27	171.53	[illegible]	[illegible]	2.72	[illegible]	187.01	[illegible]	171.71	[illegible]	190.01	172.87	[illegible]
Europe Ex. UK (529)	149.25	[illegible]	[illegible]	104.87	[illegible]	143.17	0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	150.17	115.10	[illegible]
Pacific Ex. Japan (253)	272.51	-1.4	270.43	191.47	[illegible]	[illegible]	-1.6	2.41	[illegible]	[illegible]	[illegible]	251.64	255.71	[illegible]	155.37	157.14
World Ex. US (1651)	161.51	0.7	160.27	[illegible]	147.17	[illegible]	0.4	[illegible]	[illegible]	158.96	[illegible]	[illegible]	134.10	[illegible]	[illegible]	121.17
World Ex. UK (1954)	166.62	[illegible]	[illegible]	117.07	[illegible]	[illegible]	[illegible]	2.03	[illegible]	[illegible]	117.17	150.84	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2109)	169.98	[illegible]	[illegible]	[illegible]	154.69	[illegible]	0.2	2.18	[illegible]	[illegible]	[illegible]	154.17	151.34	172.10	139.60	[illegible]
World Ex. Japan (1700)	*189.51*	[illegible]	*188.06*	*133.15*	*172.69*	[illegible]	*-0.2*	[illegible]	[illegible]	*188.24*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2169)	170.46	[illegible]	[illegible]	119.77	155.33	[illegible]	0.2	[illegible]	[illegible]	168.35	120.06	154.58	152.07	172.57	[illegible]	140.05

Latest Prices where unavailable for this edition.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 26 / Sch)

BELGIUM/LUXEMBOURG (Jan 26 / Frs.)

DENMARK (Jan 26 / Kr)

FINLAND (Jan 26 / Mkk)

FRANCE (Jan 26 / Frs)

GERMANY (Jan 26 / Dm.)

ITALY (Jan 26 / Lire)

NETHERLANDS (Jan 26 / Fls.)

NORWAY (Jan 26 / Krone)

SPAIN (Jan 26 / Pta.)

SWEDEN (Jan 26 / Krona)

SWITZERLAND (Jan 26 / Frs.)

PACIFIC

JAPAN (Jan 26 / Yen)

AUSTRALIA (Jan 26 / Aust $)

HONG KONG (Jan 26 / H.K.$)

MALAYSIA (Jan 26 / MYR)

SINGAPORE (Jan 26 / S$)

NORTH AMERICA

CANADA

TORONTO (Jan 26 / Can $) 4 pm close

MONTREAL (Jan 26 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jan 26 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. [illegible] suspended. xd Ex dividend. xc Ex scrip [illegible] Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, January 26, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu Ltd	8.4m	920	+16	Oki Elec	4.3m	603	+7
Mitsubishi Heavy	7.3m	685	+21	Nitsuko Corp	4.1m	1,040	+30
Kawasaki Steel	6.5m	327	+11	NEC Corp	4.1m	980	+21
Daiwa Secs	5.2m	1,490	+40	Okumura Corp	4.1m	1,000	+40
[illegible] Co	4.3m	1,580	-10	Hanwa	4.0m	675	+20

INDICES

US INDICES

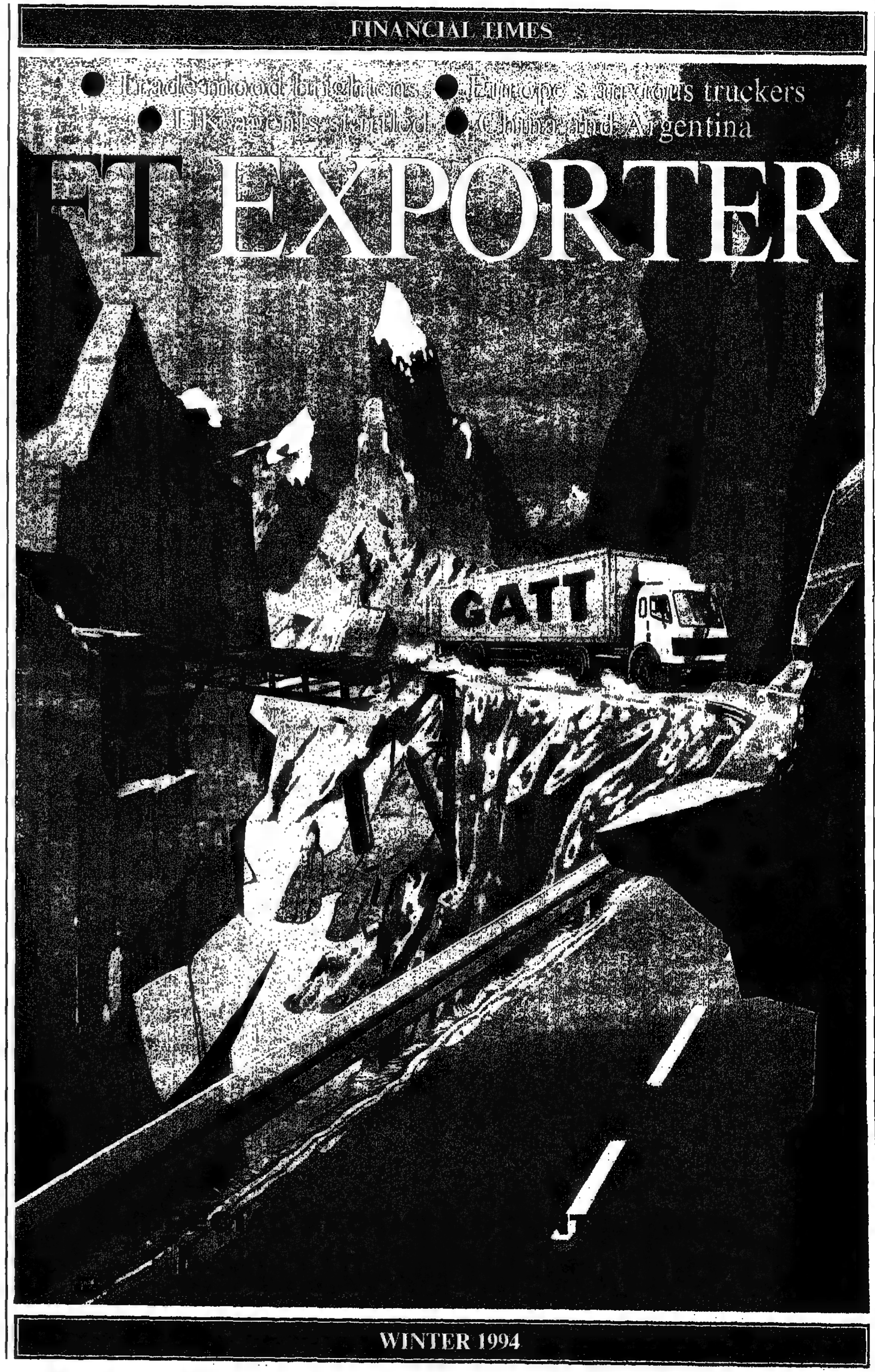
■ RATIOS

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)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GATT
WINTER 1994

FT EXPORTER 2

■ COMMENT

A muted sigh of relief on Gatt

Exporters [illegible] brighter prospects than a year ago. But growth is generally slow and it is too [illegible] to celebrate, says Emma Tucker

Exporters [illegible] the globe face brighter prospects this [illegible] than they did at the beginning [illegible] the last. But after a year [illegible] feeble growth in the industrialised world, that is not saying much.

Growth in the world's [illegible] richest [illegible]tries amounted to a meagre 1 [illegible] cent last year, as much of Europe and Japan struggled with recession and the [illegible] emerged only slowly from [illegible] downturn.

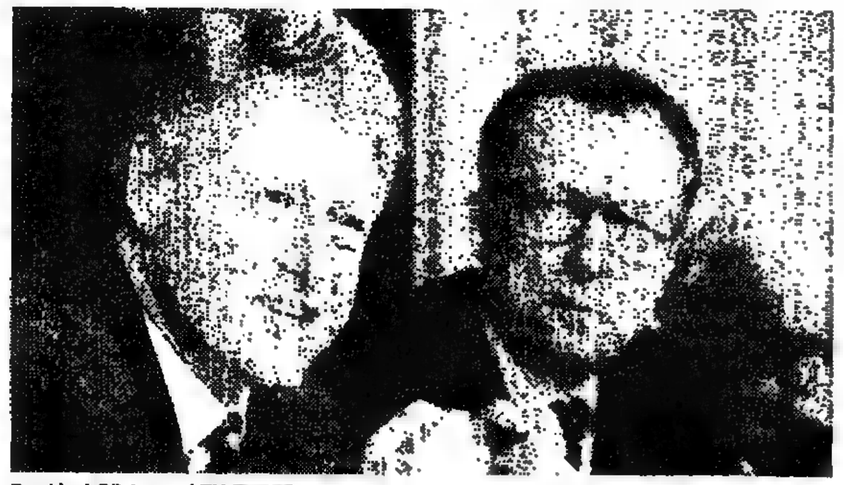
Industries struggling to sell their prod[illegible] into sluggish markets may find little comfort in the latest Organisation for Economic Co-operation and Development (OECD) forecast for output. It predicts that overall growth for the industrialised world should reach just [illegible] per cent.

However, [illegible] worst is probably over. While activity in Japan looks likely to continue its decline, [illegible] increasingly strong expansion [illegible] taking place in the US; European Union countries have [illegible] of their recessions, [illegible] moderate [illegible] are continuing in the UK, Australia and New Zealand.

[illegible] economic outlook for growth in [illegible] Europe has [illegible] improved – economic recovery in [illegible] Czech Republic and Poland is gaining strength.

Furthermore, economists are forecasting that the improvement in the US [illegible], together with post-Nafta investment in Mexico, will raise the average growth [illegible] in Latin America. They are [illegible] optimistic about a continued strong expansion in [illegible]. Analysts [illegible] JP Morgan [illegible] that [illegible] "emerging" [illegible] will grow by 7.5 [illegible] this [illegible] in [illegible] the authori[illegible] attempts to [illegible].

More important: [illegible] deal, [illegible] in December, will bring [illegible] to [illegible] everybody, [illegible] if these [illegible] immediately recognisable in [illegible] short-term.



President Clinton and EU [illegible] the [illegible] is probably over

[illegible] OECD has estimated [illegible] the [illegible]ment [illegible] the Uruguay [illegible] could [illegible] world's welfare to [illegible] (at current prices) by 2002. This [illegible] just one of several analyses – including others from the [illegible] Bank, [illegible] retariat of [illegible] – which [illegible] the [illegible] resulting from the deal, in global economic welfare, [illegible] between [illegible] and $274bn by 2002, roughly ¾-1 [illegible] of gross global income.

On inflation, [illegible] global [illegible] ally good. The [illegible] agreement – [illegible] extra competition [illegible] brings – seems likely to help shore up gains already [illegible] on inflation in the industrialised world. According to the OECD, [illegible] in 20 of [illegible] per [illegible] or less, [illegible] it [illegible] per cent.

Although the OECD has pointed out that, in Europe, the rate [illegible] price increases in Germany could [illegible] stubborn, it [illegible] the trend [illegible] will [illegible] downwards. Excluding Turkey, inflation in [illegible] expected to fall to [illegible] by [illegible].

[illegible] for employment, however, is bleak, especially [illegible] Europe. The OECD expects that [illegible] European unemployment [illegible] will [illegible] to 11.5 per [illegible] next [illegible] (when [illegible] than [illegible] people will [illegible] out [illegible] work) from 8.6 per cent in [illegible] (when 16.5m Europeans [illegible] unemployed).

Perhaps the brightest spot for the [illegible] economy remains the successful comple[illegible] of the Uruguay trade deal and [illegible] banishment of fears that countries will revert to a [illegible] round of trade protectionism.

But while almost all global forecasters [illegible] that the trade liberalisation mea[illegible] agreed in [illegible] round will be good for the world economy, no [illegible] knows precisely what the [illegible] will mean. Many analysts, for example, believe that even [illegible] top end of the forecasts – which show [illegible] increase [illegible] global economic welfare of $274bn by [illegible] – underestimate the likely benefits of the trade deal.

First, the studies ignore the stimulus [illegible] trade in services, which already amounts to 21 per cent of world trade.

Second, the estimates [illegible] quo would [illegible] been maintained if [illegible] Uruguay round [illegible] failed.

Last, they ignore the greater interna[illegible] transfer [illegible] technology and business practices. Thus the [illegible] the world [illegible] from the completion of the round could prove [illegible] significantly higher.

There [illegible] debate about where and to whom the [illegible] will [illegible]. An [illegible] study [illegible] different areas [illegible] by the [illegible] and came up [illegible] the following conclusions:

● Agriculture: removing 30 [illegible] of [illegible] and [illegible] for agriculture [illegible] yield gains of $190bn, [illegible] the 24 OECD countries accounting for $120bn of [illegible] gains, and [illegible] developing and formerly centrally planned countries benefit[illegible] by $70bn.

In the [illegible] deal, [illegible] was agreed that trade

☐ Continued on Page 4

FT EXPORTER 23

☐ GUEST COLUMN: DR GÜNTHER REXRODT

Now for a world trade body

Dr Günther Rexrodt, German minister of economics, says the world trade body agreed [illegible] by the [illegible] negotiators must now be given real meaning and purpose

The successful conclusion of [illegible] Uruguay Round negotiations marks another big step on the road to trade liberalisation and a considerable strengthening of the multilateral trading system, thanks particularly to the agreement to establish a [illegible] World Trade Organisation (WTO).

Attention [illegible] focuses [illegible] other issues of importance for trade policy that have not yet been dealt with fully but that [illegible]theless require consideration.

Some results of the Uruguay Round [illegible] disappointing. For example, the framework agreement on trade in services was undeniably a negotiating [illegible] if [illegible] look at the tertiary sector's extraordinary growth potential, [illegible] overall negotiating results for initial commitments on financial services, audiovisuals, [illegible] telecommunications, [illegible] maritime transport [illegible] disappointing. For civil aircraft and steel, the multilateral agreement sought by negotiators [illegible] attained.

These issues not resolved, either partly [illegible] fully, by the negotiations will [illegible] have to be conducted under the [illegible] WTO. Meanwhile, meaning and purpose must [illegible] instilled into the WTO.

On the internal front, the main priority [illegible] work out [illegible] integrated dispute settle[illegible] procedure; [illegible] external front, [illegible] to intensify relations with other international institutions such [illegible] International Monetary Fund and the World Bank.

Because of the heavy agenda that already faced negotiators, the inclusion of additional questions of relevance to trade would have overburdened the Uruguay Round. One of the most important of these topics is [illegible] trade-environment interface. International trade and trade policy are interrelated to the environment [illegible] environmental protection policy in a number of [illegible].

Environmental protection policies can distort trade and, conversely, commerce can affect the quality of our natural surroundings. Furthermore, many [illegible] a given region's environmental problems can no longer be addressed without regard to similar problems in other regions. Air and water pollution, noise, waste, the endangering [illegible] animal and plant species, and the destruction of the ozone layer [illegible] ecological problems whose impact transcends national boundaries and [illegible] most likely to have global significance. [illegible] the other hand, there [illegible] the danger [illegible] environmental protection [illegible] being abused [illegible] order to protect trade.

[illegible] been [illegible] to harmonise [illegible] within [illegible] environmental protection agreements. International organisations such [illegible] the OECD, Gatt, [illegible] Unctad, however, are in [illegible] pro[illegible] of analysing interface problems, although they have yet to arrive at com[illegible] results [illegible] conclusions.

In [illegible] absence [illegible] binding [illegible] rules, the [illegible] procedure [illegible] settling disputes in [illegible] is in [illegible] infancy. With [illegible] official commitment [illegible] protecting the environment and [illegible] broad [illegible] functions, the [illegible] has a [illegible] foundation for [illegible]cussion. The problems should now [illegible] addressed in the WTO without delay within an agreed working [illegible] laid [illegible] on [illegible] achieved in the Uruguay Round.

Previous [illegible] practice [illegible] negotiations in the Uruguay Round [illegible] shown that not all trade-relevant problems can be covered by the trade policy rules already on the books. With the increasing internationalisation of markets, there is an increased overlapping of policies on trade and competition in the international con[illegible]. [illegible] particularly challenged by [illegible] by companies [illegible] restrict competition; and [illegible] by government toleration [illegible] such practices.

[illegible] Rexrodt: consultations on the next [illegible] must start [illegible]

[illegible] restraints on competition such [illegible] orderly marketing, managed trade, export cartels, [illegible] attain [illegible]manding market positions, and displacement strategies by industrial targeting [illegible] beaming can lead [illegible] serious [illegible] barriers, [illegible] undermining [illegible] value of agreements and concessions made under the Gatt. This [illegible] generate political pressure to react [illegible] such competitive distortions by trade policy [illegible].

Conversely, the employment of legal [illegible] policy instruments such [illegible] safeguards, anti-dumping [illegible] countervailing [illegible] can distort competition and restrict trade [illegible] both the national and international level if applied contrary [illegible] competitive principles.

If we are to prevent or overcome drawbacks for companies in the European Union and elsewhere, the following questions must be dealt with:

● how can the interest of exporters [illegible] investors be protected in the [illegible] of conduct that is contrary to competition?

■ how can [illegible] systematic application [illegible] existing national competition rules be assured and improved so that the present multilateral trading system may be made [illegible] more [illegible] and conducive [illegible] competition and [illegible] of trade policy [illegible] for competitive [illegible] may be prevented?

● should international rules for competition be established, and, if [illegible], what elements should they incorporate?

The demand for a discussion of social standards continues [illegible] voiced. This topic has [illegible] yet been [illegible] in trade policy bodies; it has, however, been the topic [illegible] particular attention by UN [illegible]. Since a link between [illegible] standards and international trade is undeniable, the discussion will also have to become part of the agenda of trade policy bodies. Developing countries suspect that calls for social standards mask protectionist attempts to reduce [illegible] advantages conferred on them by developing status. [illegible] such discussions [illegible] politically sensitive, it would be prudent [illegible] proceed with caution.

The problems listed [illegible] are [illegible] political interest [illegible] many participants in the multi[illegible] trading system. It [illegible] impor[illegible] begin consultations on them [illegible] soon [illegible] possible at the international and multilateral level and from [illegible] very outset [illegible] acknowledge the interdependence between trade, [illegible] environment, competition, and social standards.

FORFAITING RATES

	Period years	DM %	US$ %
AMERICAS			
Argentina	5.0		*
Brazil	5.0		*
Canada	7.0	5⅞	5½
Chile	5.0	7½	7⅛
Colombia	5.0		*
Mexico	5.0	9¼	8⅞
Uruguay	1.0		
US	7.0	[illegible]	5¾
Venezuela	1.0		
[illegible]			
Austria	7.0	5⅞	[illegible]
Belgium	7.0	[illegible]	[illegible]
Cyprus	5.0	[illegible]	[illegible]
[illegible] Republic	[illegible]		
[illegible]	5.0	5¾	[illegible]
Finland	5.0	6¼	5⅞
France	7.0	5⅞	5¾
Germany	7.0	5⅞	5¾
Greece	3.0	6⅞	5¾
Hungary	5.0	9½	9⅛
Iceland	3.0	6⅛	5½
Ireland	5.0	5¾	5⅞
Italy	5.0	6	5⅞
Kazakhstan	0.5		*
Malta	5.0	7¼	6⅞
Netherlands	7.0	5⅞	5½
Norway	5.0	6½	6⅛
Poland	5.0		
Portugal	7.0	6⅛	5¾
Romania	1.0		
Slovenia	5.0		
Spain	7.0	5⅞	5½
Sweden	5.0	6	5⅞
Switzerland	7.0	5⅞	5½
Turkey	5.0		
UK	7.0	5⅞	5¾
AFRICA			
Morocco	5.0	10	9⅞
South Africa	3.0	8⅞	7¾
Tunisia	2.0	7⅛	6⅛
Zimbabwe	1.0		*
ASIA & AUSTRALASIA			
Australia	[illegible]	6	[illegible]
China	5.0	7	[illegible]
Hong Kong	[illegible]	6	[illegible]
India	[illegible]	7⅞	[illegible]
Indonesia	5.0	9	[illegible]
Japan	7.0	[illegible]	[illegible]
Malaysia	[illegible]	6	5⅞
Nepal	[illegible]	8¾	[illegible]
New Zealand	5.0	5¾	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Singapore	7.0	5⅞	5½
S Korea	[illegible]	[illegible]	[illegible]
Sri [illegible]	1.0	[illegible]	7⅞
Taiwan	7.0	6⅛	[illegible]
Thailand	[illegible]	7	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
MIDDLE EAST			
Bahrain	5.0	6¾	6⅞
Egypt	3.0		*
Kuwait	5.0	6¾	6⅞
Oman	5.0	6¾	6⅞
Qatar	5.0	6¾	6⅞
Saudi Arabia	5.0	6¾	6⅞
U.A.E.	5.0	6¾	6⅞
LIBOR			
6 months		5¾	3¾
1 year		5¼	3⅞
2 years		5	4⅞
3 years		5	4¾
4 years		5⅛	5⅛
5 years		5¼	5⅛

These indications are shown on a basis of discount to yield, assuming six monthly repayments. Three year transactions are calculated with an average life of 1¾ years, five year arrangements with a life of 2¾ years. Indications apply only to immediately available business. Commitments of up to six months call for a slight rate increase. The standard commitment fee is 0.1 percent per month, but can vary according to the risk. * Subject to negotiation. - No information available.

Rates provided by Indosuez Aval Ltd 17 St Helen's Place, London, EC3A 6DE Tel 071 522 0034

Exporters' calendar of general and specialist trade fairs in 1994

■ GENERAL TRADE FAIRS
Feb. 09-12,94 [redacted] FIB
Jun. [redacted] LA FIERA
Aug. 27-31,94 Frankfurt HERBST

■ AGRICULTURAL [redacted] RELATED MACHINERY)
Feb. 13-17,94 Paris INTERSIMA
Aug. 13-21,94 Nitra AGROKOMPLEX
Nov.7-12,94 [redacted] AGROTECH

■ AIRCRAFT AND AEROSPACE
[redacted]
Apr.20-24,94 Johannesburg AVIATION
May.28-Jun.05,94 Berlin ILA (Aerospace)
[redacted] Guangzhou [redacted] AVIATION

■ AUDIO VISUAL EQUIPMENT
Mar.21-24,94 Las [redacted] NAB [redacted]
Oct.10-14,94 [redacted] (Film [redacted] Programme Marketing)
[redacted] VISION (Radio [redacted] TV)

■ [redacted] AND PUBLISHING
May. [redacted] BOOKS/PRESS
May.25-27,94 Dortmund BIBLIOTHECA (Library Trade)
Nov. 1-11,94 Sharjah Book Fair

■ BUILDING/CONSTRUCTION EQUIPMENT AND [redacted]
Apr. [redacted] INTERMAT
[redacted] 16-19,94 Abu [redacted] BUILDMAT
Jun.07-10,94 Hong Kong IBS
Oct.27-30,94 [redacted] BUILDTECH
[redacted] Lyon EUROBAT

■ CHEMICALS, COSMETICS AND PHARMACEUTICALS
Apr.22-25,94 [redacted] COSMOPROF (Perfumery & Cosmetics)
Jun.05-11,94 Frankfurt [redacted] Engineering)
[redacted] 16-18,94 [redacted] PHIA
Sep. 16-21,94 [redacted] Industry

■ CLOTHING, [redacted] FOOTWEAR
Feb. 13-15,94 New [redacted] PREMIER [redacted]
[redacted] Munich MODE [redacted]
[redacted] IGEDO(Fashion Trade)
Mar.18-21,94 [redacted] GDS [redacted] Trade)
Jun.01-03,94 Amsterdam [redacted] (Company Clothing)
Jul.02-04,94 [redacted] MODE ENFANTINE
Sep.10-12,94 Lyon MODE CITY (Swimwear [redacted] Lingerie)
Sep.24-26,94 [redacted] SKOMESSE [redacted] Trade)
Oct. 11-13,94 Tokyo TOP [redacted]
Oct.19-21,94 Hong Kong INTERSTOFF [redacted]
Nov.16-18,94 Bologna LINEAPELLE

■ COMPUTERS, [redacted] MACHINERY AND TELECOMS
Feb.08-11,94 Paris IT FORUM
Feb. 15-17,94 [redacted]
Mar.01-04,94 Paris [redacted] (CAD/CAM)
Mar.08-11,94 Sydney [redacted] COMPUTERS
Mar.16-23,94 Hanover CEBIT
Mar.27-31,94 Riyadh [redacted]
May.31-Jun.03,94 Singapore [redacted]
Jun.13-15,94 Tel-Aviv [redacted]

■ DISPLAY AND [redacted] EQUIPMENT
Apr. 15-18,94 [redacted] INTERSHOP
Sep.27-29,94 Chicago EXHIBIT [redacted]
Oct.24-28,94 [redacted] EQUIPBAG

■ ELECTRICAL/ELECTRONIC [redacted]
Jun.23-25,94 Munich ELTEC
Jul. 19-21,94 [redacted]
Sep.05-08,94 [redacted] Lumpur ELENEX
[redacted] 12-17,94 Seoul [redacted]

■ FOOD & DRINK/CATERING
[redacted] Paris EUROPAIN (Baking)
Feb.26-Mar.03,94 Paris [redacted] (Ice-Cream)
Apr.19-21,94 Brussels ESE (Seafood)
May 04-09,94 Zurich MEFA (Butcher Trade)
Jul.30-Aug.05,94 [redacted] Hague [redacted]
[redacted] 18-22,94 Munich [redacted] (Food [redacted] Catering)
Nov.24-27,94 Zurich KASE [redacted] Trade)

■ HOUSEHOLD [redacted] EQUIPMENT
Feb.02-05,94 [redacted] TEXBO
Feb.19-23,94 [redacted] AMBIENTE
Apr.08-10,94 Chicago KITCHEN/BATH INDUSTRY
Apr.19-22,94 Tokyo LIFESTYLE
Sep. 18-21,94 Paris [redacted]
[redacted] 1-3,94 [redacted]
Oct.28-29,94 [redacted]

■ JEWELLERY AND GIFTWARE
Feb.11-14,94 [redacted]
Sep.02-06,94 Paris PAAS
Sep. 17-19,94 Leipzig CADEAUX
[redacted] 17-20,94 [redacted]

■ MECHANICAL ENGINEERING
Feb.01-04,94 Stuttgart FLUID [redacted]
Apr.25-29,94 Paris MECANELEM
Oct.11-15,94 Leipzig [redacted]

■ MINING
Feb.27-Mar.03,94 [redacted] Francisco [redacted]
Mar.11-14,95 [redacted] (Oil Show)

■ PRINTING [redacted]
May 13-16,94 [redacted]
Aug.30-Sep.03,94 Leipzig BUGRA

■ SAFETY, FIRE [redacted]
Feb. [redacted] FIRE [redacted]
Mar.21-24,94 Ghent [redacted]
Mar.29-31,94 Johannesburg [redacted]
Apr.19-22,94 [redacted] Lumpur DEFENCE [redacted]
Oct.20-22,94 [redacted] AMBIENTE [redacted] (Safety/Hygiene [redacted] Work)

■ [redacted] MEDICAL
Feb.20-25,94 [redacted]
Nov. 16-19,94 [redacted]

■ SHIPS AND BOATS
Feb. 11-20,94 [redacted] BOAT SHOW
[redacted] Rimini BOAT [redacted]
Mar. 17-20,94 Budapest [redacted] SHOW
Mar.23-27,94 Istanbul [redacted] LEISURE
Sep. 06-11,94 Amsterdam [redacted]

■ SPORTS EQUIPMENT
Mar.29-Apr.3,94 Singapore GOLF [redacted]
Nov.10-13,94 Bilbao CYCLE [redacted]

■ TOYS
Feb.03-09,94 Nuremburg [redacted] FAIR
Aug.19-21,94 [redacted] ATARI (Electronic Games)
Sep.29-Oct.3,94 [redacted]

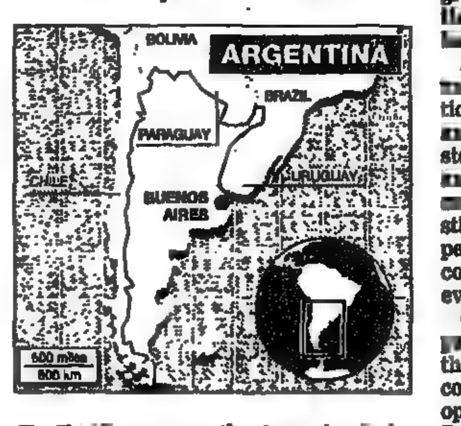
■ WATER AND AIR TREATMENT
Sep.26-30,94 [redacted]
Oct.18-21,94 Lyon POLLUTEC
Oct.26-29,94 [redacted]
Nov.7-10,94 [redacted] Industry

For further details please contact Exhibition Bulletin.
Tel: 44 081 778 [redacted] 44 081 659 [redacted]

☐ MARKET PROFILE: ARGENTINA

The mood and rhythm improve

Successful policies [redacted] making Argentina an increasingly attractive market for imports with which to rebuild its shattered industries, writes John Barham. But it [redacted] not yet out [redacted] the wood



Until very recently, Argentina [redacted] a nightmare economy. But three [redacted] rigidly [redacted] policies have transformed [redacted] into a [redacted] performer, with high growth [redacted] and low [redacted].

As a result, Argentina [redacted] become [redacted] rapidly-growing [redacted] foreign goods [redacted] chocolates [redacted] computer-controlled machine tools. Last [redacted] Argentina [redacted] imported an [redacted] $16bn-worth [redacted] goods, [redacted] imports two years earlier. Even so, imports [redacted] only [redacted] for [redacted] per [redacted] of GDP, which suggests [redacted] sales opportunities for foreign companies [redacted] continue multiplying.

Growth seems set to continue for several [redacted], driven by [redacted] of repressed [redacted] demand and revived investment rates. The government expects the [redacted] will expand by one-quarter in [redacted] period [redacted]. Companies [redacted] only slightly [redacted] optimistic.

Argentina is having to rebuild its obsolete industry and public utilities from [redacted] ground up. The public [redacted] and privatised companies alone [redacted] to invest at [redacted] $30.04bn [redacted].

Argentina is therefore importing [redacted] tools, computers and [redacted] stations. Packaging equipment [redacted] the [redacted] drinks [redacted] expected to grow steadily. Demand for [redacted] electronics [redacted] goods is [redacted] strong. The [redacted] industry, once [redacted] temple of import substitution, in some [redacted] now imports [redacted] per [redacted] components. Privatised companies have become big buyers of everything [redacted] meters.

Gemplus, a medium-sized French [redacted] smartcards, signed [redacted] three year contract in May to supply Telecom Argentina, the privatised telephone operator, with phonecards. Sales in May-December 1993 were FFr30m, 4 per cent of Gemplus's [redacted] sales. [redacted] 1m cards a month in Argentina and an unspecified quantity through [redacted] privatised telephone company, Spanish-owned Telefonica de Argentina, which buys [redacted] cards [redacted] Gemplus in France.

Last August Gemplus opened an office in Buenos Aires, its first in Latin America. It will be followed by [redacted] in Caracas and Mexico City. This [redacted] it plans to [redacted] selling smartcards to the private health insurance industry, banks [redacted] operators *of toll roads. Traditional obstacles, such* corrupt and inefficient bureaucracies, [redacted] less of a problem [redacted] following President Carlos Menem's deregulation and privatisation policies. Mr Bertrand Moussel,

The rewards of discipline: tango dancers in [redacted] St. Elmo district (Picture: Glyn [redacted]

Gemplus [redacted] for Latin America, [redacted] "Argentina is [redacted] a paradise but it [redacted] have below [redacted] problems in fraud and corruption. Transport and cus[redacted] clearance are not [redacted] problem."

Competition, though, is fierce. Mr Frank Bohrendt, [redacted] *president* [redacted] Buenos Aires-[redacted] Behrendt-Mattel, a [redacted] that represents European and [redacted] engineering companies including Krupp, Decker-Maho-Gildemeister [redacted] Milacron. He says: "It's a free for all. *[Companies] are breaking their* [redacted] make [redacted] deal. There are [redacted] of 40 [redacted] for machine tools."

Bidding [redacted] for small orders is intense. Mr [redacted] says few orders from Argentine companies [redacted] $300,000.

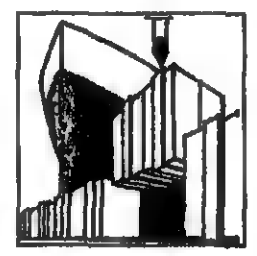
Nearly all Argentina's public companies [redacted] been privatised. Hardnosed private managements no longer pay the suspiciously above-market prices paid by [redacted] officials. Privatised companies [redacted] they have [redacted] price cuts [redacted] about 30 per [redacted].

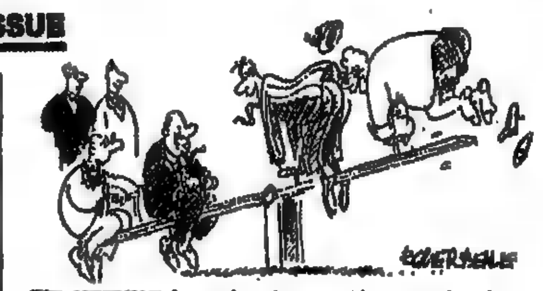
Financing has become a crucial [redacted] factor. With the return of stability [redacted] Argentina and the signing [redacted] a foreign [redacted] plan, country risk premiums have declined sharply [redacted] extended.

[redacted] finance [redacted] usually set by

☐ Continued on Page 4

ALSO IN THIS ISSUE



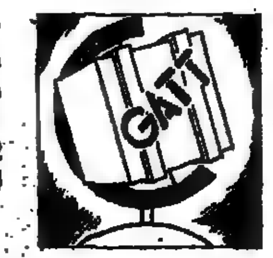


[redacted] has, after [redacted] consideration, found [redacted] firm's playground equipment adequate for [redacted] needs

see Swings and roundabouts [redacted]

■ SPECIAL REPORT

Countertrade and bartering in the post-Communist era



Editorial production Maurice Samuelson Cover Illustration Joe Cummings
Design Robin Coles, Philip Hunt Graphics Robert Hutchison

☐ MARKET PROFILE: CHINA

Financiers take the long view

The economy of mainland China risks overheating, raising questions about [illegible] levels and [illegible] ability [illegible] meet payments. But the prospects of the world's largest nation [illegible] too important to ignore and financiers are being remarkably pragmatic [illegible] credit cover requests by China's suppliers. **Jon Marks** reports

Financing Chinese projects and capital goods imports [illegible] become [illegible] priority for export credit agencies (ECAs) whose support [illegible] critical for would-be exporters [illegible] this major growth market.

With a 14 [illegible] cent [illegible] in [illegible] national product in the first half [illegible] 1993, and similar levels [illegible] growth expected in [illegible] ECAs and banks are well [illegible] that the Chinese economy risks overheating. They are watching carefully [illegible] see if payments [illegible] be kept under control, given that they estimate China's international debt [illegible] $70bn-$80bn and they are further concerned by a lack [illegible] clarity in local [illegible] data.

But [illegible] banks shied [illegible] from the Chinese market [illegible] due to concerns about the future. "With [illegible] population of 1.2bn people it [illegible] a market you have [illegible] look at very seriously," says David Moleshead, head of export [illegible] Banque Paribas in London.

Exporters' enthusiasm has not been dampened by fears of overheating; by the slowdown in contract awards which followed the appointment last June of vice-premier Zhu Rongji [illegible] control economic policy; nor by the concern of the International Union [illegible] Credit and Investment (Berne Union) ECAs over Chinese demands for export credit at below consensus rates.

Beijing has consistently called [illegible] interest rates of around 5 per [illegible] on insured credits, well below the prevailing OECD consensus rate, currently 6.85 per [illegible] Banks and ECAs report offering [illegible] rates [illegible] 5 [illegible] cent and below to secure [illegible] This is despite [illegible] call [illegible] the Berne Union in October to cease providing sub-consensus export credits.

[illegible] all this, the scope for Chinese contracts makes the market extremely attractive to a wide variety [illegible] exporters. Forfal[illegible] (specialist providers of trade finance) and other trade financiers report, for example, that margins can be very attractive and demand is high as exporters shop around for credit.

[illegible] credit (l/cs) account for more than two-thirds of all international transactions. The prevailing view is summed up by a leading official of a leading European ECA: "We [illegible] totally [illegible] for China; demand for cover [illegible] heavy and we are trying to [illegible] all the demand [illegible] can."

Belgium's OND, for example, plans [illegible] double its ceiling for Chinese [illegible]

BFr60bn, despite its resistance [illegible] providing sub-consensus credit. Agencies from Canada [illegible] Italy have adopted [illegible] similar line, arguing that lending must return [illegible] consensus [illegible] – but only [illegible] all Berne Union members [illegible] the Chinese reach formal agreement.

Even more rigid ECAs, such [illegible] the UK's Export Credits Guarantee Department (ECGD), are following this line on China. This pragmatism has produced [illegible] climate of intense competition for Chinese contracts, exploited by Beijing [illegible] months by demanding interest rates [illegible] low as [illegible] per cent.

Beijing has built low-cost credit into its trading system: Chinese companies whose contracts [illegible] from international loans repayable [illegible] 5 per [illegible] must [illegible] a [illegible] per cent tax. Lower [illegible] interest rates "do not necessarily cost much in lost profits", [illegible] European banker argues. "The contractor just hides the difference in his price. The Chinese know this, [illegible] they understand [illegible] consensus."

To some extent the explosion [illegible] Chinese demand for credit [illegible] compensated exporters and [illegible] for the [illegible] major markets. Italy, for example, [illegible] seen its credit-driven [illegible] with Algeria, Iran and the ex-Soviet Union collapse under payments pressure. In response, [illegible] has [illegible] more export [illegible] support through Sezione Speciale [illegible] l'Assicurazione del Credito all'Exportazione (SACE) [illegible] markets, particularly by [illegible]

These, for example, recently [illegible] loans worth $74.12m for the Urumqi ammonia plant, arranged in Hong Kong by Credito Italiano and [illegible] Development Finance, and [illegible] $25.19m loan [illegible] – [illegible] for China Petrochemical International Company (Sinopec) – to part-finance the Lanzhou [illegible] plant under [illegible] by Technimont. The Urumqi development [illegible] British soft funding.

The UK government [illegible] partly sought [illegible] counter rising political [illegible] Hong Kong with [illegible] concerted campaign [illegible] build [illegible] trade. [illegible] this, in any [illegible] is [illegible] in [illegible] export drive promoted by Minister [illegible] Trade, Richard Needham. China is [illegible] leading [illegible] UK's group of so-called "amber markets", which have been allocated increased ECGD [illegible] and lower premiums in [illegible] budgets.

The UK export community lobbied hard for additional credit support to be converted into major [illegible] – notably [illegible] Guangzhou metro scheme, targeted for support from the third in [illegible] series of UK/China soft loan agreements. In the event, German companies signed the main Guanzhou metro contracts during a [illegible] Beijing in November by Chancellor Helmut Kohl. British companies [illegible] pick up [illegible] orders from [illegible] scheme, [illegible] another project must now be agreed [illegible] UK [illegible] loan facility.

[illegible] and other forms of conventional financing look [illegible] remain the norm [illegible] projects. However, in a market [illegible] big and risky [illegible] are [illegible] to just how much capacity exists for big [illegible] project financing. Limited-recourse [illegible] non-recourse project financing offer an alternative route.

[illegible] smaller contracts, China is a growing market for forfaiters, specialist providers of non-recourse finance. For major projects build-operate-transfer (BOT) techniques have [illegible] entry, pioneered by the Hong Kong entrepreneur Gordon [illegible] BOT [illegible] projects allow the international promoter [illegible] financing [illegible] secure repayments from income [illegible] generated by the project, which [illegible] promoter generates [illegible] an agreed period prior [illegible] handing [illegible] appropriate authority.

In markets like China, where high growth [illegible] to a pressing [illegible] infrastructure but financing [illegible] conventional [illegible] is limited, BOT-based projects could play an increasingly important role. This was recognised by the authorities in Guandong province, with whom Mr Wu's Hopewell Holdings [illegible] BOT programme. Hopewell established a track record [illegible] power plants [illegible] Shajiao [illegible] continuing with the $1.[illegible] super-highway running [illegible] from Canton to Shenzhen, bordering Hong Kong.

China's coastal regions have been the focus of development and [illegible] to attract [illegible] financing, not least [illegible] perception that Shanghai, Guangdong and other centres [illegible] most creditworthy. China differs vastly from its smaller neighbours, [illegible] for short-term [illegible] l/c confirmation [illegible] now very similar. European banks report accepting 180-day Chinese, Hong Kong and Taiwanese l/cs all [illegible] confirmation rates of 1.5 per mille.

Hong Kong has suffered a downgrading of [illegible] risk-rating due [illegible] growing political tension in [illegible] run-up [illegible] December. Moody's Investor Service downgraded [illegible] rating [illegible] Hong Kong's [illegible] Transit Railway Corporation (MTRC) from [illegible] Aa2. [illegible] is a major borrower, with strong [illegible] and an annual financing need of [illegible] HK$1.[illegible]

MTRC's HK$-denominated debt [illegible] downgraded, Moody's said, [illegible] is likely [illegible] through [illegible] period [illegible] uncertainty. This [illegible] affect political stability [illegible] Hong Kong."

For project financing, Hong Kong [illegible] attractive prospect than China. Lending maturities are [illegible] longer than [illegible] the People's Republic. [illegible] Hopewell's Shajiao-C [illegible] plant carry only 7.5 years' maturity, [illegible] Point [illegible] plant financing, arranged during the same period, [illegible] years' maturity.

[illegible] substantial project financing [illegible] 1999, when sovereignty over [illegible] Portuguese colony [illegible]

[illegible] has [illegible] the conflicts which dog Chinese/Hong [illegible] relations. Among [illegible] in [illegible] pipeline are a new airport, ferry terminal, [illegible] links to Guangdong [illegible] and the [illegible] Nam Van [illegible] (also known [illegible]) Grande) project, increasing Macau peninsula's land mass by 20 per cent on completion in 1999. Nam [illegible] is to be part-financed [illegible] syndicated loans.

Taiwan [illegible] very strong liquid [illegible] with foreign reserves [illegible] more than $80bn. The majority [illegible] project-based borrowing is on-shore. [illegible] l/cs are unconfirmed and [illegible] substantial amount [illegible] trade is account-based.

Argentina finds its rhythm

☐ Continued from [illegible]

the exporting country's government export credit agency. Medium term trade finance for Argentina carries interest [illegible] that vary [illegible] 6-9 per [illegible] a year.

British exporters, however, must [illegible] per [illegible] a year for five-year ECGD cover, about one-third more than US companies [illegible] Eximbank cover. [illegible] British banker commented that "most industrial products have [illegible] commodity items, so you are competing on price and finance. With Argentine companies able [illegible] borrow [illegible] 7.5 per [illegible] a year, they are not going to touch UK financing with a bargepole."

Import tariffs vary from zero for capital goods [illegible] top [illegible] of 20 per cent. Companies must also [illegible] a 3-10 per cent "statistics tax". Exporters [illegible] capital goods are exempted from this charge. However, the government has begun adopting a [illegible] aggressive trade policy, imposing quotas and countervailing duties for products ranging from chemicals [illegible] track shoes.

The government eliminated import barriers for capital equipment [illegible] encourage companies to modernise rapidly. Mr Jorge Herrera Vegas, undersecretary for economic integration, said "[capital] goods should be bought as cheaply as possible in the international market. Argentina is preparing for a leap in exports. It needs the most technologically advanced goods."

Executives tend to be more formal and less effusive than elsewhere in Latin America. Many speak good English and travel widely. Mr Behrendt says "Argentine industrialists are surprisingly well-informed. They read a lot, subscribe to technical magazines and travel to trade fairs a lot. They have a good understanding of high technology. They are sophisticated and want the newest equipment."

However, [illegible] Francisco Gascon, [illegible] cial counsellor [illegible] the Spanish Embassy in Buenos Aires, says [illegible] Argentine [illegible] nies [illegible] sufficiently advanced to [illegible] of the art technology. He [illegible] this [illegible] intermediate-level equipment on offer from Spanish companies [illegible] appropriate [illegible] Argentine company needs.

Brazilian companies [illegible] also fearsomely competitive suppliers [illegible] intermediate industrial equipment. Brazil is [illegible] one [illegible] Argentina's [illegible] important suppliers [illegible] its chief partner in the Mercosur [illegible] union. Mercosur, which also includes Par[illegible] and Uruguay, calls for [illegible] steady reduction in tariffs on trade [illegible] the four member countries. Tariffs [illegible] to be completely eliminated on nearly all goods by the end of this [illegible] However, Argentina [illegible] retaliated against "unfair" Brazilian exports with protectionist [illegible] agricultural equipment, chemicals, textiles, paper, refrigeration equipment.

Despite the enthusiasm of many [illegible] executives, Argentina's [illegible] miracle is still far from being consolidated. One salesman predicts [illegible] one-third of Argentine companies will fail [illegible] He [illegible] many manufacturing companies will sur[illegible] – although the outlook for service, food and energy-related industries [illegible] good.

Decades [illegible] political upheaval [illegible] economic chaos have left their mark. Argentina's business culture is unsophisticated compared with Chile, Brazil and Mexico. Corruption – even in private companies – does remain a problem. The government often changes import, tax and standards regulations by decree. Winning redress in the slow and corrupt judicial system is frustratingly difficult.

Freer trade after Gatt

☐ Continued from [illegible]

distorting subsidies and import barriers affecting agriculture would [illegible] a period [illegible] years, with support [illegible] domestic farming reduced by [illegible] cent. All import barriers are [illegible] be converted [illegible] tariffs, and [illegible] by [illegible] cent, while Japan's and South [illegible] will gradually [illegible] Tariffs on tropical products [illegible] by [illegible] 40 [illegible]

- Industrial goods: a [illegible] liberalis[illegible] of manufactured products would produce [illegible] income, with [illegible] OECD [illegible] gaining [illegible] 64 [illegible] cent [illegible] the extra benefit derived from [illegible]tion.

According [illegible] deal, [illegible] trial goods will be cut by more than one-third. More [illegible] 40 per [illegible] of imports will [illegible] duty [illegible]

- Services: [illegible] OECD did not [illegible] the liberalisation of services, but it [illegible] "The liberalisation [illegible] would undoubtedly [illegible] the income [illegible] growth dividend, yielding [illegible] benefits."

Naturally the Gatt [illegible] will bring [illegible] as well as winners in [illegible] wake. [illegible] formerly sheltered from competition by [illegible] and input [illegible] lose [illegible] elimination [illegible] importers in particular will [illegible] as a result [illegible] the higher prices projected [illegible] number [illegible] cereals, resulting from [illegible] agreement. Overall, however, [illegible] is [illegible] compared [illegible] gains.

■ THE NATWEST BANK/FT EXPORTER FORUMS

When the experts falter

Ian Hamilton Fazey, who acted as moderator in [illegible] series of regional forums for UK businessmen and bankers, says they revealed widespread uncertainty about the nitty-gritty of export financing

The questioner [illegible] annoyed. [illegible] an agent in Nigeria who would only accept payment in cash and in dollars. The exporter had opened a dollar account at his clearing bank branch in Manchester but had been [illegible] if he wanted dollar bills, he would [illegible] to buy them separately and pay in sterling from his normal account.

What was the point of having a foreign [illegible] if he could not withdraw foreign currency from it?

The [illegible] – that foreign currencies [illegible] legal tender in the UK, that any [illegible] in them is not "real", and the banks do not keep [illegible] supply of dollars, marks, francs, lire [illegible] whatever to service [illegible] – [illegible] not [illegible] down well with the questioner.

Nor [illegible] it impress many of the other exporters present [illegible] forum organised by [illegible] Bank, the *FT Exporter* [illegible] Institute of Export. [illegible] Able, [illegible] senior [illegible] who [illegible] gamely stood up in [illegible] audience [illegible] try and explain, got a rough ride.

Foreign currency accounts, which [illegible] sometimes reduce exposure [illegible] exchange [illegible] fluctuations if [illegible] currency [illegible] bought [illegible] cheap against sterling, [illegible] for "book" transactions only, he explained. [illegible] should make [illegible] clear when customers concerned opened them.

But, as [illegible] members of the audience made clear, some bank [illegible] – and this applies to all the UK clearers – clearly do not.

They are generalists, not specialists, and some of them are more attuned than others as to whether they should refer export[illegible] customers to experts employed in other parts of any bank's array of business banking services.

The issue illustrated a general point that emerged from the seven forums held in October and November in Leeds, Manchester, Newcastle, Bristol, Birmingham, Lon[illegible] and Belfast. They [illegible] attended in total by more than 500 people actively involved in exporting.

At the [illegible] of the [illegible] forums, the inescapable conclusion [illegible] that [illegible] is [illegible] worrying degree of ignorance throughout industry and commerce, mainly about the mechanics of exporting and many of the banking, legal, taxation and other financial [illegible] associated with it.

My [illegible] role in [illegible] forums [illegible] to [illegible] neutral chairman and questionmaster, ensuring audiences [illegible] not intimidated by [illegible] experts on [illegible] platform. Each forum covered six areas: VAT and [illegible] single market; customs planning; [illegible] risk management; export trade finance; [illegible] and distribution law; [illegible] international [illegible] marketing.

[illegible] experts, like Barry Price, [illegible] Her Majesty's Customs [illegible] Excise, Andy Nemes, [illegible] international [illegible] banking services, [illegible] Thorpe, an international marketing specialist, and Ian Campbell, director-general [illegible] Institute of Export, spoke [illegible] forum. Others from KPMG Peat Marwick, [illegible] Treasury, [illegible] Laytons, specialists [illegible] export law, [illegible] the [illegible] between them.

Three 90-minute sessions were split between two 20-minute [illegible] by [illegible] relevant expert and [illegible] minutes of questions. The [illegible] ensured audiences were reasonably [illegible] get what they wanted out of each day, with much of [illegible] real learn[illegible] coming from questions, answers and ensuing discussions.

Questions – and [illegible] ments – ensued [illegible] such topics as:

- registration for VAT in other EU [illegible] tries;
- appealing against [illegible] decisions in the UK and abroad, particularly in Japan;
- whether the banks [illegible] greedy [illegible] not;
- why companies dare not tell their bank managers how much export debt [illegible] hidden in their overdrafts;
- foreign currency accounts;
- the role of correspondent banks;
- problems over letters [illegible] credit [illegible] per [illegible] of which are wrong on first presentation);
- the variable speed [illegible] monetary transmission through the world banking system;
- the shortage of credit insurance for exports [illegible] placers such as Mexico, Tunisia and China;
- how to trade in non-convertible [illegible] cies;
- [illegible] and implications [illegible] changes to UK [illegible] law;
- the usefulness [illegible] otherwise of government departments and agencies;
- how [illegible] do basic market research [illegible] – and many other topics [illegible] specific [illegible] individual companies.

NatWest's senior managers, who attended each seminar in force, [illegible] what emerged, [illegible] it not only revealed widespread ignorance [illegible] of its customers, but also among branch managers.

By the time the London and Belfast forums [illegible] taking place, Andy Nemes was already assuring [illegible] that training programmes [illegible] bank managers and other [illegible] would take lessons learned into account to try [illegible] improve things in the future.

To me, [illegible] the person responsible for getting the questions out of the audiences [illegible] answered properly, without evasion, by the experts, it seemed clear [illegible] much export policy and supporting services – including the media's [illegible] – is sometimes [illegible] erudite.

While this may be fine for big companies which have experts of their own, many medium-sized and smaller companies – the bulk of business and, indeed, exporters – need a much more "nuts and bolts" approach, with lots of "how to" information and simple explanations [illegible] the implications of trade and foreign policy, changes in [illegible] law, and European union, for their finances.

International [illegible] appears [illegible] be a minefield for most managers. The advice they can get from their banks and the government is patchy in quality, and sometimes wrong.

Although the experts at each forum knew their stuff and generally proved well able to help, other members of the audi[illegible] often gave better answers and more practical advice.

For example, a good way of doing business in a non-convertible [illegible] European currency may well be [illegible] open an account with one of the main Austrian banks in Vienna. These banks have long experience [illegible] successful trade with the former Soviet bloc countries around them and how to help their [illegible] finance it.

This course might well not be recommended by a British clearing bank because it would [illegible] in doing [illegible] trying to [illegible] things through [illegible] UK bank with its [illegible] correspondent bank might not work. [illegible] one forum an exporter said that his most effective approach had been [illegible] open the relevant account with the Viennese bank's branch in London, which then treated it [illegible] though it were based in Austria.

Other exporters had useful advice on the foreign currency issue: open the account with your bank's branch in the country where the currency is legal tender; that is, [illegible] York for dollars, Frankfurt for marks, and so on. If your bank has not got [illegible] branch, use the relevant correspondent bank in the country concerned.

Generally, the need is for export education and training. Ian Campbell sees the Institute of Export playing an increasingly important role in this, particularly as regards industry and commerce recognising the institute's own [illegible] and training programmes more widely.

☐ NATWEST/FT EXPORTER COMPETITION RESULTS

Three in front but it's Bonas by a nose

Why [illegible] of the world's top pharmaceuticals companies was pipped at the post by a small textile machinery maker in northeast England

[illegible] Machinery [illegible] director Jeff Gosling (2nd l) at the northeast award ceremony, with (l to r) Exports Institute director Ian Campbell, [illegible] Andy Nemes and FT's Ian Hamilton [illegible]

It was almost [illegible] three-way [illegible] heat. The mighty Zeneca Pharmaceuticals – [illegible] former ICI drugs business – [illegible] though [illegible] was going [illegible] win the first NatWest/*FT Exporter* award for export excellence when [illegible] pipped [illegible] post in [illegible] round [illegible] point scoring.

The winner [illegible] Company, [illegible] machinery manufacturer in north-east England, [illegible] by only half [illegible] percentage point [illegible] Richardson Sheffield, the well-known [illegible] maker.

"I'm sorry [illegible] had [illegible] all," Ian Campbell, chairman [illegible] the judges and director-general [illegible] Export, said afterwards, "but [illegible] only [illegible] one outright winner."

The competition was organised by National Westminster Bank, *FT Exporter* and the Institute of Export. The seven finalists were all winners of regional heats, announced at the series of forums held in London, Belfast, Birmingham, Bristol, Leeds, Manchester and Newcastle during October and [illegible]

[illegible] awards were [illegible] Unlike most prizes in the exports field, neither the size of [illegible] company's export order book nor rapid growth in foreign markets were necessarily qualifications to win.

Independent assessors from the Institute of Export, NatWest and KPMG Peat Marwick, the accountancy firm, rated the finalists on efficiency, innovation, training, quality control, [illegible] exporting was part of [illegible] company's main thrust, rather than [illegible] bolt-on function.

This [illegible] very small companies such [illegible] Magstim – which [illegible] medical instru[illegible] in Dyfed, South Wales, [illegible] has only [illegible] £1m turnover – [illegible] compete equally with Zeneca, [illegible] north-west winner, [illegible] Richard[illegible] Sheffield, which has annual [illegible] of [illegible]

Another small-sized finalist [illegible] Valpar Industrial of Bangor, County Down, the Northern Ireland winner. It turns [illegible] only £3m, selling [illegible] cooling system [illegible] beverages like lager, [illegible] stay [illegible] tap. The other [illegible] Apollo Fire [illegible]tors, [illegible] Hampshire-based London regional winner, [illegible] Table[illegible] to [illegible] larg[illegible] manufacturer, winner [illegible] Mid[illegible] prize.

Bonas received its award at a dinner in London [illegible] Chalker, [illegible] overseas development minister, Lord Alexan[illegible], NatWest chairman, [illegible] David Bell, chief [illegible] FT.

Mr Campbell said: "The excellence awards were designed to test exporting philosophy and ethos in depth, rather than just acknowledge turnover and profit. Bonas demonstrated extensive customer contact, new product introduction, staff training and an attempt to raise standards year on year."

Bonas, which was founded in 1967, is based in Team Valley, Gateshead, and has offices in Charlotte – in the US – Hong Kong, Bombay, Frankfurt and Milan. It [illegible] electronic jacquards – devices [illegible] looms that [illegible] figures [illegible] into fabrics.

With [illegible] employees worldwide, it exports [illegible] more than 75 countries, but particularly to [illegible] US, Germany, Switzerland, Japan, Italy and India. About 90 per [illegible] the present £35m of annual turn[illegible] exported.

Mr [illegible] Bridge, [illegible] executive of [illegible] Sheffield, was disappointed [illegible] losing by 65 per [illegible] to [illegible] per [illegible] but [illegible] coming so close would only inspire the company to try harder next time.

Richardson came top in three [illegible] the five categories – innovation, education and thrust. [illegible] top [illegible] efficiency and quality, but was equal second with Zeneca for education and third on thrust. Richardson's chances were spoiled by a third place on efficiency and an equal fourth in the quality category, where only 3.5 points out of 18 separated the seven contestants.

Zeneca won no category outright, but was second or third in four of them and fourth in the remaining one. The final scores were decided by marks out of 10 for overall impression – a subjective measure, but one where the judges were rightly called on to display some judgment. Valpar and Apollo scored equally with Zeneca here, while Magstim and [illegible] tied just one point behind. This meant, in effect, that none of the finalists did badly, as might be expected from companies which had already beaten off strong regional challenges [illegible] reach the last – and necessarily merciless – [illegible] judging.

All said just entering [illegible] worthwhile in itself, since it forced critical self-examination. In [illegible] senior managers used it as a means of pulling their [illegible] together at a time when [illegible] business [illegible] establishing itself, after ICI split [illegible] "bio" and "non-bio" businesses last year.

The most interesting individual exporting story came from Magstim, [illegible] but no means least of the finalists. [illegible] a Welshman, Robin Davies, the international sales director, naturally has Welsh as one of his languages. Had he ever sold in Welsh? Well, yes. He was making a presentation to senior doctors in a Canadian hospital when one of them, in exile from Wales for 25 years, asked him a question in Welsh. Davies replied in kind and the discussion continued in the language. The order was clinched on the strength of it.

Ian Hamilton Fazey

□ EUROPEAN LAW AND THE UK: **COMMERCIAL AGENTS' STATUS**

A rude awakening in Britain

European law on of commercial agents is finally in force in the UK. But many companies have been slow to grasp the changes and, in doing so, have had a rude awakening, writes Ian Hamilton Fazey

Since January 1, commercial [redacted] *throughout the European Union* have [redacted] had it so good. That was the date the UK became the last EU [redacted] try to implement a 1986 directive harmonising [redacted] law.

The changes relate [redacted] *people* [redacted] selling goods on commission. Suddenly, all such [redacted] in Europe [redacted] comparable levels [redacted] job security, rights under law and compensation [redacted] loss of office [redacted] those enjoyed by employees – and possibly better. In many [redacted] they [redacted] entitled to be paid commission before their principal has been paid by the customer.

They also have more right to inspect [redacted] principal's books than the principal's employees or shareholders. The changes fit with the trend in the last 30 [redacted] for European laws which formally protect the individual against the state, corporation [redacted] any other institution with [redacted] impose upon people's lives.

Under old [redacted] law, most agents had the thin end [redacted] the stick [redacted] anything went [redacted] *facing costly legal* [redacted] *if they* sought [redacted] through the courts. Other EU countries, however, [redacted] long since seen being an agent as similar [redacted] employment, particularly if the [redacted] was an individual.

The implications have [redacted] long time to sink in with many British companies. Despite warnings from [redacted] Institute of Export and seminars run by [redacted] leading commercial law firms, many senior [redacted] seen the changes in [redacted] law as technical and nothing much to worry about.

When the [redacted] started getting through, therefore, it came as a shock. There was telling evidence of this at the seven NatWest/*FT Exporter* meetings held around the UK during the October [redacted] November. Lawyers from Laytons, which *specialises* [redacted] *export markets, elicited* gasps of dismay and anxious questioning from every audience. Articles in [redacted] FT since have brought many phone calls and letters from disbelieving, [redacted] anxious readers, who have been urged [redacted] their solicitors.

If [redacted] government believes it carried [redacted] a successful consultation [redacted] the new laws, this apparent ignorance throughout UK industry and commerce should give pause for thought. Even the final form [redacted] the directive – published [redacted] weeks before [redacted] – complicated [redacted] regulations on compensation [redacted] agents and [redacted] sprung on industry [redacted] late for amendments. The Institute [redacted] Export has protested to the DTI [redacted] inadequate consultation. The [redacted] the *problem is* [redacted] *the DTI's* [redacted] and small [redacted] section handled the process – most [redacted] small businesses – instead [redacted] trade section, where [redacted] attention would have [redacted] paid to exporters.

Many companies [redacted] in the [redacted] time they should look carefully [redacted] all [redacted] ing agency [redacted] – including those in UK [redacted] markets – [redacted] them up if necessary, and take specialised legal advice [redacted] redraft and [redacted] them before January 1 so the [redacted] laws should operate fairly for [redacted] if there is a dispute in future.

Michael Thornton, of the Manchester office of Laytons, is co-author [redacted] a new edition of Schmitthoff's *Agency* [redacted] *Distribution Law*, which has [redacted] published jointly by [redacted] Insti[redacted] *of Export* [redacted] *bring everyone* [redacted] to [redacted] the changes. He frightened [redacted] in [redacted] audiences [redacted] the Leeds, [redacted] Manchester forums when he spelled out what they [redacted]

"Many companies don't want [redacted] spend [redacted] their lawyers [redacted] don't come cheap," he says. "But the [redacted] not doing [redacted] could be very much [redacted] expensive. Many British [redacted] have been content [redacted] appoint [redacted] on the basis of [redacted] oral agreement [redacted] handshake [redacted] at [redacted] exchange of letters. This [redacted] be OK, but [redacted] there [redacted] disagreement, and especially not [redacted]

"The law is now [redacted] weighted much [redacted] towards the agent. The cheapest option [redacted] get things [redacted] right [redacted] possible from the outset because it will [redacted] *much* [redacted] *expensive* [redacted] in dispute later," Mr Thornton [redacted]

For [redacted] companies which have [redacted] yet [redacted] the potential problems, it [redacted] probably [redacted] termi[redacted] existing [redacted] agreements [redacted] again without buying their [redacted] they [redacted] obtain mutual consent.

Agents [redacted] protected against being unilaterally [redacted] Since January 1, they have been [redacted] month's [redacted] commission for each [redacted] they have acted for [redacted] principal, [redacted] three-month maximum if they [redacted] in [redacted] UK, up [redacted] months if they operate in Italy [redacted] action there.

This latter point emphasises [redacted] value [redacted] specifying in any agreement that *disputes* will [redacted] dealt with under UK law. Now, if [redacted] agent suspects [redacted] principal [redacted] secretly doing business directly with [redacted] the agent originally brought in, [redacted] to inspect the principal's *books* [redacted] check – *and then claim* commission on the sales. Even if [redacted] agreement [redacted] been terminated, former [redacted] can still claim for continuing [redacted] to [redacted] customers they introduced [redacted] before.

What [redacted] troubled [redacted] companies is the timing of payments of commission. Under the new European law, commission is due when [redacted] transaction [redacted] been [redacted] pleted, but "completion" [redacted] delivery of the goods, not when the customer [redacted] paid. It can even [redacted] when *delivery* [redacted] *have* been made: if the principal [redacted] on delivery, [redacted] puts [redacted] order to the back of the queue [redacted] do something else, [redacted] even [redacted] to deliver at all, the agent is still entitled [redacted] commission from when the order would otherwise have been completed. If [redacted] never [redacted] principal [redacted] be [redacted] ment from [redacted] agent, but whether the debt [redacted] out [redacted] good or bad, [redacted] *cash-flow implications for* [redacted] *principal*.

[redacted] Kelly, who is [redacted] charge of Layton's European practice in London, also points out another serious potential problem. If [redacted] agent buys new equipment, sets [redacted] makes [redacted] other [redacted] capital investment [redacted] carry [redacted] his [redacted] her principal, [redacted] has [redacted] outstanding [redacted] tion [redacted] agency agreement [redacted] "You must be very careful about [redacted] your agent buying anything – even though the agent [redacted] – in order to [redacted] out your [redacted] agreement," [redacted] warns.

All [redacted] this assumes, of course, [redacted] things will eventually [redacted] agent [redacted] principal. In many cases, they will not. Many principals have happy, longstanding arrangements with [redacted] have [redacted] their mutual benefit for years. Nevertheless, [redacted] did not stop many companies [redacted] tearing [redacted] all their [redacted] agreement [redacted] 1 and starting afresh by codifying [redacted] standardising their [redacted] approach.

This [redacted] re-evaluation [redacted] generally [redacted] all round, [redacted] strengthening relationships with good agents [redacted] improving prospects. In some [redacted] been dropped [redacted] companies [redacted] decided [redacted] is not [redacted] best way [redacted] carry [redacted] Others, though, have been taken on as employees, or offered distribution agreements [redacted] has appealed where regular [redacted] of relatively low-value [redacted] have been involved.

Distributors [redacted] risks where agents [redacted] not – they [redacted] for goods [redacted] title to them, assuming responsibility [redacted] bad [redacted] in the [redacted] Agents earn commission, [redacted] title [redacted] goods they sell [redacted] bear no risk from bad debts. Distributors [redacted] their money by selling for *higher prices* [redacted] *they themselves* [redacted] for the good they took.

Lawyers [redacted] the problem [redacted] agreements [redacted] that they are [redacted] by sales managers, often without legal advice, and [redacted] no [redacted] down[redacted] financial [redacted] for the company as a whole. Solicitors [redacted] they must [redacted] part [redacted] mainstream general management's function, with vetting [redacted] agreements, whether in-house [redacted] bought-in.

[redacted] company at a NatWest/*FT Exporter* forum woke [redacted] this, [redacted] no budget for [redacted] in [redacted] It has made a provision [redacted] year's budget, which runs from April – too [redacted] for the December 31 [redacted] when [redacted] cheapest option expired.

OECD EXPORT CREDIT INTEREST RATES

Minimum [redacted] for officially [redacted] credit (%)

	Jan 15- [redacted] 14	[redacted] 15- [redacted] 14
Australian $	7.17	7.38
Austrian Sch.	6.91	7.08
Belgian franc	7.42	7.65
Canadian $ (to 5 years)	6.05	6.35
Canadian $ (5 to 8+ years)	6.80	7.00
Canadian $ (over 8+ years)	7.36	7.50
Danish krone	7.20	7.60
Dutch guilder (to 5 years)	6.10	6.25
Dutch guilder (5 to 8+ years)	6.35	6.50
Dutch guilder (over 8+ years)	7.0	7.20
Ecu	6.56	6.83
Finnish markka	7.26	7.50
French franc	6.50	6.73
German mark	6.17	6.29
Irish punt	6.95	7.10
Italian lira	8.58	8.94
Japanese yen	3.30	3.30
N. Zealand $	6.65	8.98
Norwegian krone	6.27	6.33
Spanish peseta	9.06	9.34
Swedish krona	7.73	7.83
Swiss franc	5.26	5.32
UK pound	6.71	7.21
US dollar (to 5 years)	5.54	5.50
US dollar (5 to 8+ years)	6.15	6.06
US dollar (over 8+ years)	6.48	6.45

Source: OECD

Baroness Chalker [redacted] Exporter [redacted] finalists [redacted] facing [redacted]

☐ EXPORTER PROFILE: **MERLONI of Italy**

From the middle of nowhere

Merloni, known for [illegible] Ariston brand, [illegible] the only big white goods company still in Italian hands. Its [illegible] was built on design flair and efficiency. **David Lane** examines its overseas impact

Merloni production line: [illegible] per [illegible] of [illegible]

L[illegible] household appliances rank high in [illegible] list [illegible] Italian manufacturing strengths. For many years Italy's white goods industry has been a European leader, leaving little [illegible] foreign intruders in its home market [illegible] aggressively capturing market share abroad. It has provided jobs for tens of thousands and a wealth of case study material for business school students.

Refrigerators and washing machines were in the forefront of goods that contributed significantly to export [illegible] during the 1960s "economic miracle". They continue to do [illegible]. The shake-out in the sector during the 1980s has left fewer, but stron[illegible] large players. Merloni Elettrodomestici is one of them.

Known for its Ariston brand, Merloni recorded consolidated [illegible] about L1,700bn last year, [illegible] which about two thirds were outside Italy. Holding market leadership with [illegible] per cent [illegible] its home market, *Merloni has nearly 10 per* [illegible] *of* the white goods market in [illegible] France and the UK, as well as almost 4 per cent in *Germany. "France and the UK together* generate the same turnover as Italy," notes Vittorio Merloni, chairman.

"We were helped by the exchange [illegible] last year. But we [illegible] not want, or need, to compete through devaluation," claims Mr *Merloni. He adds that the company gained* [illegible] full point of European market share in 1993. Profits also increased. The group *posted L14bn on L726bn* [illegible] at the end of June, doubling 1992's L7bn half-year result [illegible] L631bn sales, and the year-end figures are expected [illegible] show further improvement.

Merloni is one of Europe's four big white goods makers, keeping company with Electrolux, Whirlpool (Philips) and Siemens. [illegible] is now the only Italian-owned maker in [illegible] top league, the 1980s shake-out in the sector seeing [illegible] taken over by Electrolux and Ignis taken [illegible] by Philips. Merloni itself contributed to the rationalisation by absorbing Indesit six [illegible] ago.

The [illegible] come from behind to take a place [illegible] today's leaders. Established in 1930 by the present chairman's father, Merloni was originally a maker [illegible] weighing machines. Diversification took it first, at the beginning [illegible] the 1960s, into the manufacture of gas cylinders, [illegible] then into gas cookers and [illegible] heaters.

"We made [illegible] first electrical appliances at the end of [illegible] 1960s. Being a latecomer [illegible] the sector we faced the disadvantage [illegible] being small when competitors [illegible] already large. But we benefited from the advantage of an established and growing market," [illegible] Mr Merloni.

"In shifting into electrical appliances we were able [illegible] draw on our existing technologies, [illegible] distribution systems. Design was, however, the aspect that marked us out from our competitors. "Merloni has been in the forefront in design," he explains.

Italian industrial design [illegible] *take* the world by storm during the [illegible] and 1970s. "Merloni [illegible] this wave," [illegible] the company's chairman. He adds, "Ten [illegible] ago we launched the 'Margherita' range, and this was very influential. A [illegible] *eration of appliances* [illegible] *currently being* designed by Giugiaro to re-launch the Indesit brand."

Design [illegible] *an important factor. "But* [illegible] and the cost/quality ratio are crucial," says Mr Merloni. He explains that, while [illegible] *competitive edge of low labour* [illegible] enjoyed by Italian manufacturing during the "economic miracle" has long since *been eroded, labour* [illegible] *a smaller part* [illegible] total costs.

"It was about 25 per cent in the [illegible]. *Today* [illegible] *wage bill represents less than 15* [illegible] our [illegible] costs. It is [illegible] accident that we have invested heavily in production [illegible] reduce the impact of labour costs. Directing investment into new and more [illegible] equipment has been encouraged by Italian [illegible] which permit a significant level [illegible] accelerated depreciation," [illegible] Mr Merloni.

Design flair and efficiency in production help explain Italy's leadership in white goods. Can this be maintained? Mr Merloni is confident that it [illegible]. "A highly competitive system has developed. Alongside the small number [illegible] large well-known manufacturers [illegible] lesser-known and small makers. My brother's [illegible] example. It makes 1.5m refrigerators [illegible] washing [illegible] each year for leading brands. Behind the white goods makers there [illegible] a robust and flexible network of component and machinery manufacturers," [illegible] Mr Merloni. He believes that Italy's posit[illegible] is not at risk in the short [illegible] medium term.

[illegible] Merloni [illegible] that transport [illegible] why the company will return to manufacturing in Britain. (It [illegible] to close its Colston subsidiary [illegible] the end of [illegible] 1980s.) Merloni currently makes almost [illegible] quarter of its [illegible] production of 4.3m units – split about equally between cookers and ovens, refrigerators [illegible] freezers, and washing machines and dishwashers – in its French, Portuguese and Turkish subsidiaries.

Although manufacturing may increase abroad, the importance [illegible] the Italian home base will [illegible] diminish. Merloni's main factory is at Fabriano in the Marches. "It [illegible] in [illegible] of nowhere," remarks Mr Merloni. He [illegible]: "Marchigiani have always been forced [illegible] look [illegible] distant markets. Ten years [illegible] per cent of [illegible] sales [illegible] Italy and [illegible] per cent abroad. Now the [illegible] true."

☐ EXPORTER PROFILE: **KOMPAN CANADA**

Swings, roundabouts for sale

Denmark's Kompan International is the world's biggest supplier of playground equipment. Its 10 year-old subsidiary in Canada has captured 15-20 per cent of the local market, writes **Bernard Simon**

In the 10 [illegible] since Denmark's Kompan International started doing business in Canada, it has garnered 15-20 [illegible] the country's mark[illegible] for children's playground equipment.

That is no mean achievement in [illegible] widely-dispersed, fragmented and highly [illegible] petitive market where many buyers, [illegible] cially in the public sector, tend to view foreign suppliers with suspicion.

Kompan, whose annual sales in Canada now exceed [illegible], has gained a reputation as a supplier of top-quality and innovative – though high-priced – playground [illegible] ratus. "They've made phenomenal inroads," says Mr Rolf Huber, president of Sporthau Canada, which surfaces playgrounds for Kompan and [illegible] competitors.

Kompan is [illegible] world's biggest maker [illegible] playground equipment. The Danish parent has broadened its [illegible] in recent [illegible] by buying Speelhout, [illegible] Dutch [illegible] which specialises in outdoor "furniture" for [illegible] teens, and BigToys Playstructures, [illegible] US-based manufacturer. Kompan Canada acquired a BigToys agent (including a components factory) in British Columbia [illegible] year.

Mr Troels Engholm, Kompan [illegible] general [illegible], [illegible] that [illegible] key to [illegible] cess [illegible] "to stay closely in tune with local markets". Although Kompan [illegible] total [illegible] of only [illegible] in Canada, they [illegible] in [illegible] sales [illegible] throughout [illegible] country. With the [illegible] of [illegible] agents, [illegible] gives it a [illegible] 10 provinces.

Mr Engholm [illegible] that different regions *require different marketing strategies.* French-speaking Quebec, [illegible] instance, has proved [illegible] be more receptive [illegible] foreign-*made product. Similarly, day-care* [illegible] not as popular [illegible] sophisticated [illegible] as in the industrial [illegible] *land of* [illegible] Quebec. [illegible] *of Kom*[illegible] business in British [illegible] is [illegible] municipal playgrounds.

[illegible] *separatist* [illegible] Quebec helped persuade Kompan [illegible] broaden [illegible] English [illegible] through [illegible] *purchase* [illegible] *BigToys, based in a suburb of* Vancouver. The head [illegible] is in [illegible] neau, Quebec, [illegible] outskirts [illegible] Ottawa. [illegible] Mr [illegible] this [illegible] the impression [illegible] elsewhere that Kompan's first loyalty is [illegible] Quebec. *"It's important* [illegible] people understand that we're equally committed throughout [illegible] country," he says.

The [illegible] company [illegible] helped pioneer [illegible] transformation in children's playgrounds [illegible] the past decade. [illegible] playgrounds [illegible] designed with a more sociable dimension than their predecessors, shifting the emphasis from children's physical [illegible] to [illegible] interaction.

The trend [illegible] play areas [illegible] separate [illegible] with [illegible] own [illegible] relatively small, colourful structures, designed [illegible] be as unintimidating as possible. [illegible] Engholm [illegible] the [illegible] group [illegible] "a relentless effort" [illegible] educate municipal[illegible] child-care cen[illegible] need [illegible] higher-quality equip[illegible] children, aged eight and under. Many [illegible] representatives [illegible] background [illegible] childhood education, including [illegible] in British Columbia with a master's degree in [illegible] psychology.

Kompan's product [illegible] includes [illegible] col[illegible] den and [illegible] toddlers, unusually [illegible] *play-houses*, [illegible] *mini-seesaws.* It [illegible] persuaded [illegible] (though by no [illegible] all) municipalities [illegible] child-care [illegible] *traditionally* [illegible] play equipment [illegible] wood.

Kompan's [illegible] prices [illegible] some buy[illegible], especially [illegible] which put [illegible] out [illegible] tender. Furthermore, some [illegible] still prefer [illegible] ing [illegible] *fire-proof steel* [illegible] Kompan's [illegible] products.

Mr [illegible] Mullin, an engineering [illegible] at [illegible] Vancouver Park Board, [illegible] high praise [illegible] Kompan's quality, calling [illegible] of [illegible] apparatus "[illegible]" of playground equipment. But Vancouver has bought very little from [illegible] Danish [illegible]. "Often [illegible] and US product [illegible] in a [illegible] cheaper," Mr Mullin says.

☐ GOVERNMENT PROMOTION: **UNITED STATES**

Mobilising the export armies

Following the birth of the North American free trade area, the US commerce department is exhorting Americans to boost exports with all the fervour of [illegible] war recruitment drive, writes **Nancy Dunne**

The management of Counter Technology Inc., a Maryland security [illegible] vices and technology company with 200 employees, had given little thought to exporting even though its Mexican-Ameri[illegible] interested in the North American Free Trade Agreement.

"Nafta was just pie in the sky until we [illegible] approached by Commerce," said Mr Julian Martinez, a company spokesman. "We felt we had barely penetrated the domestic market, [illegible] we couldn't see going [illegible] another country. Now I'm glad we did."

Under Export Mexico, one of the US government's numerous export promotion schemes, Counter Technology was invited [illegible] be part of a delegation of [illegible] minority-owned companies exhibiting in a trade show in Mexico. Company representatives were thoroughly briefed about their prospects and given appointments with likely customers in Mexico.

"The door was half way open for [illegible]. [illegible] opened [illegible] eyes [illegible] other possibil[illegible]s," Mr Martinez said. The company is now studying two lucrative opportunities – with the US embassy in Mexico and a Mexican airline.

Hundreds more small and medium size businesses – which once would [illegible] have considered expanding beyond the [illegible] market – are being prodded to export by the Comm[illegible] Department. Its Secretary, Mr [illegible] Brown, the former Democratic party chief, [illegible] personally to have taken [illegible] the Administration's mantra: "exports exports exports..."

Commerce secretaries have long preached government-busin[illegible] partnerships and the necessity of boosting small business exports. But Mr Brown and his colleagues spent their first year in office preparing to make good on the talk.

One of the Secretary's first acts was to convene a Trade Promotion Coordinating Committee (TPCC), a group authorised by *law during the Bush Administration,* which largely ignored the statute. Mr Brown, however, saw the TPCC as his *opportunity to play a prominent role in* trade policy.

He appointed Mr Kenneth Brody, chair*man of the US Export-Import Bank, to* chair a TPCC working group, and together in September they presented 60 specific *recommendations for improving US export* promotion programmes. Since then, the two men have methodically set about *instituting the proposals.*

As a result, high technology companies, shackled for years by stringent export con*trols, have been liberated.* Export finance [illegible] been increased. Export promotion programmes spread [illegible] 19 government *agencies* [illegible] *being strengthened and* [illegible] dinated.

"Our government [illegible] stepping up in [illegible] way [illegible] *hasn't before* [illegible] help US companies create and maintain jobs by being export winners," says [illegible] Brody.

One [illegible] priority is [illegible] make government [illegible] easily [illegible] to novice exporters, who might [illegible] otherwise find [illegible] way through [illegible] labyrinth [illegible] government schemes.

[illegible] month and [illegible] Eximbank, Com[illegible] and other agencies [illegible] rolling [illegible] first [illegible] of a [illegible] "one stop shops" [illegible] major [illegible] around [illegible] country. Eventually all domestic field [illegible] to [illegible] will [illegible] consolidated, [illegible] with [illegible] and [illegible] export [illegible] and [illegible] computer capacity upgraded. Information for programmes such as Export [illegible] will be disseminated along [illegible] "how to" data.

Export [illegible] through [illegible] Department's [illegible] Centre, [illegible] receiving more [illegible] over its [illegible] telephone number. In response [illegible], the [illegible] "punch in" telefax has been churning out pages of [illegible] Round, Nafta and environmental technology trade (another new specialised trade programme scheme).

[illegible] business finds even [illegible] on offer for the Export Mexico programme: counselling from desk officers from the [illegible]ffice of Mexico in Washington; export specialists from the US and Foreign Commercial Service to help develop market strategies; and, for a price, customised market surveys, [illegible] service providing credit and financial information about Mexican companies, and government-organised trade missions.

In Mexico City, the Commerce Department has a US Trade Centre and library. It has posts in Guadalajara and Monterrey. To help neophyte traders feel [illegible] at home, the Commerce Department has [illegible] up [illegible] Gold Key Service which for [illegible] for the first day arranges appointments with pre-qualified potential Mexican agents, distributors and business associates; provides interpreters and assistants and meeting spaces.

The US Small Business Administration has expanded its own programmes for exporters. Minority owned companies can get loan guarantees. An Export Revolving Line of Credit loan guarantee programme can be used to finance labour and materials for manufacturing and wholesaling for export, to finance foreign accounts receivable or to penetrate foreign markets.

For all the activity, there [illegible] not yet been a pay-off in export statistics, Administration officials acknowledge. But unquestionably the [illegible] is gearing up for competition in a way it [illegible] prepared for wars and the [illegible] programme. In the end, the investment will pay off handsomely.

□ GOVERNMENT PROMOTION: UNITED KINGDOM

Putting out more flags

The DTI is coopting 100 businessmen to aid it in boosting exports. If the drive fails the private sector concedes that it will have to share the blame, writes **David Dodwell**, FT world trade editor

The chorus from British exporters has been [redacted] much [redacted] same for most of [redacted] Government neither understands their needs, [redacted] listens [redacted] their [redacted] how they might [redacted] be helped.

Until about 18 months [redacted], that is. Since then, the shared aim of Mr Michael Heseltine, [redacted] and industry secretary, and Mr Richard Needham, his terrier-like trade minister, has been to [redacted] industry *working alongside Whitehall* [redacted] *the* country's export strategies.

Perhaps the most potent and [redacted] departure has been the "export promoter" initiative. Moving beyond the idea of consulting industry leaders, export organisations and chambers [redacted] commerce, the Department of Trade and Industry is in the [redacted] recruiting business executives to work inside government – 100 of them, most on two-year secondment. "We have virtually doubled our [redacted] promotion capacity overnight. We're thrilled about it," said one senior DTI official.

But will industry [redacted] reason [redacted] similarly thrilled? What role are [redacted] seconded troubleshooters expected [redacted] play? How will their [redacted] be measured? How well equipped are they [redacted] advise small and medium-sized UK companies when their career experience has been inside large multinationals?

The initiative, [redacted] by Mr Michael Heseltine early last year, is one of a number [redacted] recent government innovations aimed at sharpening Britain's export effort. At a stroke, [redacted] has provided [redacted] means for the government to harness the know[redacted] and skills [redacted] UK industrialists, and silenced industry complaints that [redacted] ernment never listens [redacted] it.

Nine months into the programme, just [redacted] the 100 export [redacted] have been recruited [redacted] the ranks of the UK's top 100 companies: "Recruitment has gone slower than we expected, but we [redacted] been pleased with [redacted] quality of execu*tives seconded," says Ms Helen Deas, who* [redacted] responsible for the Export Promoter scheme at the DTI: "I had some [redacted] about whether industry [redacted] release [redacted] people, but I have been pleasantly surprised."

The [redacted] of defining a particular export promoter's role has been difficult. For large [redacted] such as the US [redacted] Japan, a team [redacted] export promoters has been brought together, each specialising in a particular industrial [redacted] such [redacted] Thailand [redacted] Turkey, one export promoter [redacted] the [redacted] becoming a "jack [redacted] all export trades", regardless of his [redacted] her corporate background.

All promoters [redacted] expected [redacted] have [redacted] deep working knowledge of the [redacted] for which they are responsible, [redacted] spent [redacted] considerable [redacted] time work*ing there. Regions* [redacted] *candi*dates for have been China, South America and the former Soviet Union – [redacted] companies [redacted] reluctant to [redacted] staff in these key growth areas where rare language skills [redacted] needed.

Beyond that, the problem likely [redacted] export promoters has [redacted] one [redacted] having [redacted] much freedom to [redacted] their role rather than [redacted] little: "It is [redacted] that they need to be team players, but they have to build on, rather than compete with, what we have already [redacted] either in the DTI, [redacted] in embassies overseas," one DTI official said. "There is nothing [redacted] stop an export promoter from completely redefining an [redacted] initiative, [redacted] and enthusiasm that will [redacted] forward."

For [redacted] Jenning, [redacted] in February from the chemicals [redacted] Siebe [redacted] work [redacted] boosting [redacted] environmental products and [redacted] to [redacted] market, [redacted] has involved mobilising UK consulates across the US [redacted] complete [redacted] study [redacted] $120bn north American environmental services market.

It has also involved careful thought about [redacted] of British [redacted] might look seriously [redacted] the US: "The UK environmental services industry is still immature by comparison with US industry, which has been [redacted] by strong environmental legislation," Mr Jenning [redacted] "It has been [redacted] matter [redacted] finding inno[redacted] companies and bringing them forward." His third initiative [redacted] *examine export opportunities arising from* the North American Free Trade Agreement, which has committed considerable [redacted] to cleaning up the environment along the industrially-polluted US-Mexico border.

"We have [redacted] industry that this is not just another series [redacted] fruitless [redacted] cises," he said: "In some [redacted] repu-tation [redacted] DTI [redacted] not that good."

[redacted] Bacon, [redacted] from Philips [redacted] *Japan's electronics sector,* [redacted] adopting [redacted] tack: helping UK components manufacturers [redacted] penetrate the UK-based subsidiaries of Japanese companies such as Sony, Panasonic [redacted] subishi.

"Many Japanese companies [redacted] operate in the UK, but [redacted] headquartered [redacted] Japan, with [redacted] there," he [redacted] "When design [redacted] *Japan,* and many components chosen [redacted] the [redacted] stage, we [redacted] find ways [redacted] influencing thinking in Tokyo [redacted] succeed in supplying their UK-based offshoots."

He plans [redacted] his [redacted] knowledge, [redacted] that [redacted] in Japan, to improve [redacted] decision makers in Japan – not [redacted] win export orders (at [redacted] initially), but [redacted] replace imports: to [redacted] UK companies [redacted] supply Japanese subsidiaries operating in [redacted] UK and Europe [redacted] effectively and reliably than component-makers based in [redacted]

By [redacted] priority [redacted] Paterson, [redacted] from Thorn [redacted] export promoter for Singapore [redacted] Malaysia, [redacted] been [redacted] draw up "sellers' guides" to key growth [redacted] in Malaysia. In contrast to DTI efforts, he [redacted] his [redacted] "specific action- and deal-oriented ... [redacted] have learned that the DTI [redacted] much [redacted] information [redacted] companies are [redacted] of. They could often hit the ground running just by using the information [redacted] here."

Starting from [redacted] overviews drawn up by British embassy [redacted] in Malaysia, Mr Paterson's "sellers' guides" [redacted] intended [redacted] hands-on "how to" guides for [redacted] ranging from transport, power, oil and [redacted], and telecommunications [redacted] and health services.

All three promoters [redacted] *their "big industry" experience* [redacted] ill-equipped [redacted] appreciate [redacted] problems [redacted] and medium-sized exporters: "Most big companies [redacted] aggregations of small operating units," [redacted] Ian Paterson.

Measuring the [redacted] the export pro[redacted] initiative [redacted] likely to [redacted] complex matter. In very [redacted] clearly attribute [redacted] sale, [redacted] [redacted] in [redacted] market, [redacted] promoter. [redacted] only be [redacted] over [redacted] long period. DTI [redacted] acknowledge [redacted] speciousness of measuring success [redacted] number of [redacted] arranged, or [redacted] number [redacted] on a particular mission, [redacted] a loss [redacted] "It [redacted] export promoters – [redacted] enthusiasm – [redacted] drive [redacted] initiative forward," [redacted] noted.

To provide focus, promoters may [redacted] DTI "market plans" for [redacted] UK's top 80 export markets: "It [redacted] forecasts [redacted] these plans that [redacted] drive DTI [redacted] staff, embassy [redacted] in [redacted] field, area advisory groups, and export promoters," one explained. Promoters will also answer to "god-fathers" – [redacted] of the DTI's [redacted] advisory [redacted]. For [redacted] European group, [redacted] mean integrating [redacted] export promoters into [redacted] department's operations – a [redacted] management challenge.

[redacted] the export promoter [redacted] generates new exports or not, [redacted] ultimate virtue might lay elsewhere. [redacted] it will [redacted] companies better aware of [redacted] *services,* [redacted] *help it can offer export*ers. Perhaps most important, [redacted] undermines [redacted] basis [redacted] industry complaints that government is to [redacted] blamed if export[redacted]. One industrialist conceded: "If in future [redacted] fail [redacted] win export orders, we [redacted] have [redacted] but ourselves".

■ *DTI contacts:* [redacted] *or Sylvia Par*[redacted] *215 8421*

DTI's [redacted] terrier-like persistence

□ THE DTI'S STRATEGIC ALLIANCE SCHEME

Whitehall plays the marriage broker

David Dodwell looks at a scheme to arrange suitable matches between UK companies and potential overseas partners

"We have made three attempts to [redacted] involved in the US market, [redacted] none [redacted] them [redacted] worked," [redacted] David Lever, managing director [redacted] Stampiton, [redacted] small private [redacted] in Whaley Bridge in Derbyshire which makes self-adhesive labels.

For him, the UK government's newly-launched "strategic alliance" scheme has been [redacted] godsend. As [redacted] enters [redacted] four [redacted] this five-module [redacted] intended [redacted] find his [redacted] a [redacted] partner, he [redacted] ments: "Previously, we didn't feel [redacted] quite had the right [redacted] Now, we [redacted] ting straight [redacted] the people [redacted] could really be interested."

The strategic alliance scheme [redacted] one [redacted] a number of radical export promotion initia[redacted] taken by Britain's department of trade and industry early in 1993. The scheme [redacted] subsidised by [redacted], but managed and operated by Price Waterhouse, the accountancy and management consultancy group. It is aimed at [redacted] nies employing [redacted] than 500 people, with a turnover of between £5m-£50m.

Stampiton is one of 50 UK companies which, the government hopes, will be targeted each [redacted] under the scheme. [redacted] far, *about half* [redacted] *number have joined.* [redacted] *the* scheme [redacted] as [redacted] effective matchmaker, it will increase exports [redacted] foreign [redacted] from a market which [redacted] UK [redacted] panies find complicated and daunting.

Tony Ellam, who was seconded in June from National Westminster Bank [redacted] export promoter [redacted] oversee [redacted] strategic alliance scheme, [redacted] "Companies don't realise the [redacted] and complexity of the US market. This scheme [redacted] in terms of time and money. To set up in the US [redacted] will [redacted] of time, [redacted] can be hit-or-miss. [redacted] employ a consultant from the outset would be prohibitively expensive for [redacted] small and medium-sized companies."

Sheila McGregor, director [redacted] London's City and [redacted] Institute, would wholly endorse Mr [redacted] views: "I wish we had had the strategic alliance [redacted] when we [redacted] up in the US," [redacted] mourns.

She [redacted] that the institute (which [redacted] the Pitman Examinations Institute specialising in teaching shorthand, [redacted] well [redacted] specialising in educational [redacted] and standards) effectively chose a partner *because* [redacted] *approached it.* She recalls a list of errors which eventually [redacted] institute [redacted] put their own executive in the [redacted] out: "Now, [redacted] putting [redacted] own executive, [redacted] making great strides, but it has been [redacted] expensive [redacted] of finding out."

[redacted] keen [redacted] join [redacted] gic alliance scheme – potentially [redacted] with a [redacted] partner.

After selecting an applicant [redacted] a suitable potential participant, Price [redacted] initial business strategy review [redacted] each [redacted] pany. [redacted] "module", [redacted] companies will [redacted] on [redacted] "alliance proposal" – [redacted] circu[redacted] potential partners [redacted] strategic aims, but not the identity of [redacted] UK [redacted]

[redacted] involves Price Waterhouse [redacted] the US, bringing together [redacted] of three [redacted] US companies, and ranking them in [redacted] potential suitability [redacted] partners.

In the final, fifth, module, [redacted] Water[redacted] *introduce the* [redacted] *company* [redacted] three potential partners. [redacted] scheme ends, approximately 44 [redacted] initial acceptance.

At Stampiton, [redacted] Lever has just [redacted] four. Over [redacted] break, [redacted] Waterhouse [redacted] tifying potential [redacted] partners: [redacted] the exciting stage," [redacted] is [redacted] just because [redacted] speed with which [redacted] reached this stage, but because [redacted] Waterhouse [redacted] able [redacted] a much [redacted] potential partners [redacted] Stampiton [redacted] managed alone.

Even [redacted] critically, potential US part[redacted] have [redacted] approach seriously [redacted] it [redacted] both through [redacted] Waterhouse [redacted] UK government: "Our approach carries much more [redacted] ity [redacted] of going through the vetting [redacted] Our bona [redacted] already been [redacted] the potential [redacted] partner," Mr Lever [redacted]

[redacted] scheme has not been [redacted] company will pay [redacted] total of £14,000 if it goes through each of the [redacted] modules. [redacted] this [redacted] considerably cheaper than would [redacted] possible without the government scheme.

■ *DTI* [redacted] *Tony* [redacted] *071 215 2586/* [redacted] *215* [redacted]

□ BANK WATCH: FRANCE

A cold wind that blows no good

The climate for export credit has worsened, writes **Alice Rawsthorn**. France's small and medium-size companies [redacted] the principal sufferers

F[redacted] the past [redacted] as [redacted] French [redacted] recession, one of [redacted] topics [redacted] France's corporate agenda [redacted] been the deteriora*tion* [redacted] *relations between companies,* [redacted] ticularly small businesses, and their banks.

Small and medium-sized companies (SMEs) have so [redacted] borne [redacted] brunt [redacted] French recession. As [redacted] economic [redacted] mounted, complaints about banks being [redacted] slow and [redacted] unsympathetic [redacted] their [redacted] companies' [redacted] problems and other financial hiccoughs have become commonplace.

The chief problems are, predictably, [redacted] the banks are, [redacted] so companies claim, [redacted] cautious about advancing [redacted] tide them over [redacted] periods and [redacted] quick to pull [redacted] plug when things [redacted] wrong. [redacted] unfortunately for France's exporters [redacted] chilly economic climate has also prompted [redacted] in [redacted] field [redacted] export [redacted] products such as short term [redacted] medium [redacted] contract insurance.

"The situation has not [redacted] a [redacted] stage," [redacted] the Conseil National du Patronat Français, [redacted] Patronat, which [redacted] mouthpiece for French industry.

"But there [redacted] a noticeable decline [redacted] willing [redacted] commit [redacted] export credit guarantee products and [redacted] already caused difficulties for [redacted] French companies."

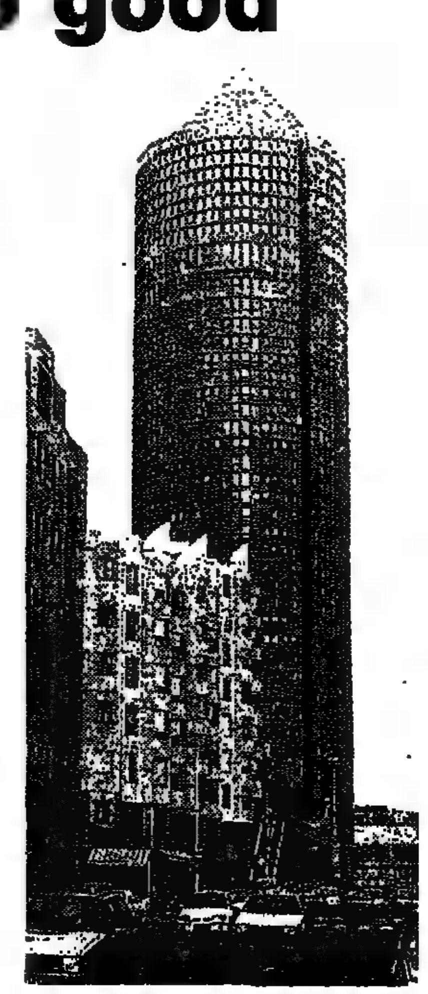
[redacted] businesses are, yet again, [redacted] main [redacted] in the export credit guarantee market. The French government's official export credit guarantees are distributed through Coface, [redacted] state-controlled export credit [redacted] However [redacted] system is extremely bureaucratic and, in practice, [redacted] of its customers tend [redacted] be large companies. Smaller [redacted] often [redacted] have the time, or [redacted] resources, [redacted] forced [redacted] turn to the private sector, generally [redacted] own banks, to find *alternative products.*

[redacted] the market [redacted] products was dominated by Banque Française de Commerce [redacted] (BFCE), the specialist commercial [redacted] owned by a [redacted] of French financial [redacted] including [redacted] de France (AGF), [redacted] concern, and Crédit Lyonnais, [redacted] banking [redacted]

The market [redacted] liberalised in [redacted] thereby enabling other [redacted] export credit guarantee-related products [redacted] services. [redacted] Lyonnais [redacted] is now a [redacted] in the sector together [redacted] Banque Nationale [redacted] (BNP), Société Générale, Banque Indosuez, Compagnie Financière de [redacted] l'Union Européenne, Banque [redacted] Crédit Commercial [redacted] France. The Association Française des Banques (AFB) [redacted] banks, together with BFCE, now [redacted] the [redacted]

[redacted] Patronat has detected little [redacted] its [redacted] complaints about [redacted] quality [redacted] credit guarantee products supplied by French [redacted] "The regulations for [redacted] aspects of [redacted] services [redacted] now more [redacted] across Europe," [redacted] official. "And France, [redacted] every other country, complies [redacted] rules."

[redacted] problems [redacted] restricted [redacted] the banks' willingness to commit funds [redacted] such products. [redacted] "supply problem" has, according [redacted] Patronat, [redacted] past [redacted] years as the banks have felt the strain of [redacted] French economic slowdown.



[redacted] Lyonnais: [redacted] exposed (Tony Andrews)

France's [redacted] have undoubtedly had a tough time in the early [redacted]. The combination of relatively high commercial lending [redacted] and low inflation has left French real interest rates among the lowest in Europe thereby depressing *demand for credit both from* [redacted] and the corporate sector.

At [redacted] time [redacted] banks have had to [redacted] steep provisions for [redacted] loans and [redacted] reduced value of their property portfolios.

The most exposed banks, notably Crédit Lyonnais which had embarked on a frenetic expansion programme on the *brink of* [redacted] *recession, have also been* forced [redacted] painful provisions on big corporate collapses.

[redacted] tough trading climate [redacted] made [redacted] banks much [redacted] cautious about their dealings with their [redacted] in almost every [redacted] activity.

However, they have become particularly [redacted] in the parts of their business that they have traditionally found [redacted] profitable, notably in [redacted] sphere [redacted] export credit guarantee products.

The profitability issue had already emerged [redacted] a problem even [redacted] economic recession. But it has loomed [redacted] larger [redacted] general [redacted] on [redacted] banks [redacted] escalated. Local chambers of [redacted] and small business associations, [redacted] well [redacted] Patronat, claim that it [redacted] becoming increasingly difficult for their members to [redacted] financial protection for export [redacted]

[redacted] problem has been magnified in [redacted] of [redacted] French franc's volatility during the European currency crises in autumn [redacted] and summer [redacted] which served [redacted] lesson to France's exporters [redacted] to just how vulnerable they could be to sudden swings in exchange [redacted] and [redacted] the value of currency risk [redacted]

"We recognise that [redacted] after the [redacted] will still be a problem with [redacted] profitability [redacted] export credit [redacted] products," said the Patronat. "It's a complicated issue but we've [redacted] to find [redacted] long term solution. At [redacted] stage we're all going to have to sit round [redacted] and talk."

□ CUSTOMER FEEDBACK: COFACE of France

Elastic but not enough

The French agency wins a mixed verdict, [redacted] **John Ridding**

[redacted] are risky times for French exporters. "The only certainty now is that markets [redacted] more competitive and [redacted] predictable," [redacted] the managing director of one electronics group. For him and for his counterparts [redacted] French industry, [redacted] trials raise their reliance on Coface, the French export credit [redacted]. They [redacted] raise the question of how the organisation has responded to the challenge.

For most exporters, the answer is largely positive. A series of reforms and the introduction of new policies has *increased the flexibility of the organisa*tion. An international expansion has increased the [redacted] its services and [redacted] expertise. But there remain areas [redacted] believe improvements can be made.

In the field of exchange [redacted] risk cover, for example, clients see improvements and the [redacted] for further [redacted] most [redacted] our overseas contracts, Coface *provides* [redacted] *attractive means* [redacted] *covering* exchange rates," [redacted] Mr Jean-Paul Mar[redacted] in the financial department [redacted] Merlin Gerin, the electrical engineering group.

Like many other French companies, Merlin Gerin has found [redacted] greater need for protection against the vagaries of international currency [redacted] Before the departure of sterling and the lira from the [redacted] and last summer's reforms to the exchange [redacted] mechanism which brought [redacted] widening of fluctuation bands for [redacted] the member currencies, the US dollar accounted for between [redacted] 90 [redacted] cent [redacted] the group's exchange [redacted] cover. "That proportion has now decreased," [redacted] Mr Marangone.

The flexibility of [redacted] exchange [redacted] products [redacted] increased in line with demand. In [redacted] the organisation introduced its CIME policy which allows cli[redacted] benefit from favourable movements in exchange [redacted] during the term of their contracts. The [redacted] been positive. "It is more flexible and obviously [redacted] anxious [redacted] gain from currency movements," [redacted] one customer.

But some companies feel there is room for further improvement. "At the moment [redacted] can receive a maximum of about 70 [redacted] cent [redacted] any currency gains," says Mr Marangone. He believes it should be possible to receive a higher proportion [redacted] the profits.

Coface has also become more flexible and responsive in its core credit guaran[redacted] operations. A series [redacted] marketing efforts, which have included greater contact with clients, has made the organisation more responsive. Similarly, rationalisation measures have simplified and accelerated the process of applying for policies. "They have made a lot of prog[redacted] and become much more dynamic," [redacted] Mr Hervé Bazire, head of international affairs at [redacted] French operations of *Otis, the elevator manufacturer.*

He believes, however, that more can be done to smooth dealings between Coface and [redacted] clients, particularly where the contracts are relatively small. "Coface [redacted] still a [redacted] organisation and [redacted] very competitive on big contracts," he says. "But [redacted] don't do very big contracts, perhaps between FFr200,000 and FFr300,000 *each, and* [redacted] *is still* [redacted] *lot* [redacted] *bureau*cracy which adds to the cost."

The nature [redacted] Mr Bazire's business means that he is interested principally in Coface's short term credit [redacted] For periods [redacted] three [redacted] medium term [redacted] the clients and the contracts tend to be larger.

For such customers, Coface [redacted] regarded [redacted] strong competitor in the international credit guarantee market. An executive of one French-based multinational [redacted] says that Coface is often preferred [redacted] rivals such as Hermes of Germany or Britain's ECGD.

With respect to credit risk analysis, Coface's operations have been strengthened by its process [redacted] international expansion over the past few years. The French organisation now has operations – either through minority or majority stakes – in countries ranging from Ireland to Argentina. This [redacted] welcomed by many clients. "With competition in our traditional markets so tough at the moment, [redacted] are being forced to diversify, [redacted] look for new customers," says [redacted] export manager [redacted] manufacturing company. "We [redacted] often strangers in these markets [redacted] we have [redacted] use Coface [redacted] give us information about our potential partners."

■ FORFAITING

On the increase

Jon Marks sees more scope for a specialist form of financing

ONE form of specialist trade funding – forfaiting – could provide an increasing [redacted] support for exporters this year.

Forfaiters, usually *operating from* [redacted] *sep*[redacted] unit within [redacted] bank, provide non-recourse finance to exporters seeking [redacted] boost and [redacted] foreign cash flow. The [redacted] is that the [redacted] of export markets for which they are prepared to provide this service [redacted] expanding.

This essentially reflects forfaiters' perceptions of improved political and [redacted] mercial risk in a number of key markets – principally in Latin America, the Asia-Pacific region, and [redacted] Europe. Funding for deals in Brazil, China and Slovakia have all featured in forfaiters' books in recent months.

Moreover, forfaiting is [redacted] providing [redacted] way in to [redacted] as difficult and [redacted] Romania, Vietnam and Peru. Forfaiters provide exporters with [redacted] finance (essentially funds which [redacted] only repayable [redacted] the [redacted] of supplier default) by buying [redacted] debts from the exporter at [redacted] discount. The debts [redacted] guaranteed (or, in technical parlance, avalised) by an acceptable bank.

But despite the [redacted] – and the additional practice of managing [redacted] by selling debt [redacted] in a secondary market – forfaiters [redacted] closely monitor country [redacted] developments. Happily for export[redacted] forfaiters' risk [redacted] are detecting [redacted] growing number of positive signals.

Brazil is emerging as an increasingly acceptable risk with some fundings extending for up to five years. Forfaiters are encouraged by the country's growth [redacted] *(over four per* [redacted] *forecast* as the final figure for [redacted] growing foreign [redacted] (now around $24bn) and positive current account flows.

Brazil [redacted] indicative of [redacted] generally improving Latin American risk. "Levels of Latin American [redacted] have gone from minimal [redacted] significant," [redacted] Stephen Rothwell, [redacted] director of London Forfaiting Company (LFC). A leading Zurich-based forfaiter [redacted] "The markets have totally opened up for Latin America," he says. China is [redacted] mounting attraction [redacted] Far Eastern risks.

Providing transactions carry the guar[redacted] of [redacted] leading [redacted] bank – such as that [redacted] the Agricultural Bank [redacted] China which, [redacted] example, has avalised a five-[redacted] deal arranged by West Merchant Bank – forfaiters [redacted] happy to help fund the country's vast imports of capital goods.

The Czech Republic, Hungary and Poland [redacted] key [redacted] European markets where forfaiters are now more likely [redacted] provide funding. "There has been [redacted] deepening in the market in front-runners in eastern Europe," says Mr Rothwell.

□ FORFAITING RATES: PAGE 23

LETTERS OF CREDIT: ANALYSIS AND CREDIT WATCH

An inherent flimsiness

UK exporters are currently losing £180m a year because of letters of credit which fail to ensure payment, writes **Mark Runiewicz**

Letters [illegible] credit (l/cs) are commonly regarded as a secure method of payment but, since payment [illegible] guaranteed, many banks do not accept them as security for advances.

The protection afforded by an l/c can easily be lost when exporters [illegible] not strictly comply with its terms. Moreover, there [illegible] the additional question of country risk. All the compliance in the world will not guarantee payment if a country runs short of foreign exchange.

For example, payment delays of up to a [illegible] are currently affecting Iranian trade paper, *including l/cs backed by central* bank guarantees. Currently almost [illegible] cent [illegible] documents presented by UK exporters under l/c [illegible] rejected due [illegible] lack [illegible] compliance. This [illegible] exporters around £180m [illegible] annum in lost goods and additional expenses.

Moreover, the figure is likely to rise this year following the introduction of significant revisions [illegible] the international rules which [illegible] l/cs – the [illegible] called Uniform Customs [illegible] Practice [illegible] Documentary Credits issued by the Paris-based International Chamber of Commerce (ICC).

The [illegible] rules, known [illegible] UCP500, came in [illegible] force [illegible] the beginning of January this [illegible] and involve a cluster [illegible] technical changes. For example, there is a new regulation [illegible] a bank which confirms an l/c can *withdraw [illegible] confirmation [illegible] l/c's* expiry [illegible] is subsequently amended.

Many companies engaged in international trade will probably [illegible] UCP500 and thus the number [illegible] discrepant presentations will rise further, along with the [illegible] exporters. Ironically, many companies insist that orders will only [illegible] dispatched when they receive an irrevocable l/c without checking their success rates in presenting [illegible] documentation to banks.

Many exporting companies fail to have any input into the wording [illegible] the l/c and fewer still understand the crucially important difference between [illegible] l/c payable in the exporter's country and one payable in the importer's country.

This can have potentially significant financial repercussions. For example, a UK company recently received [illegible] l/c from Hong Kong valued at £350,000. Documents had to [illegible] to the bank in Hong Kong for payment. The [illegible] were shipped [illegible] November 2, [illegible] and documents submitted [illegible] the UK advising bank on November 9 and forwarded to the buyer's bank in Hong Kong [illegible] November 11. The UK company was reimbursed on December 2, [illegible] 31 days later.

The exporter had two options [illegible] November [illegible] sell the documents [illegible] UK bank which would charge interest [illegible] 7.5 per cent (2.5 per cent [illegible] UK [illegible] rate) for a period of [illegible] days [illegible] allow [illegible] any delays in receiving [illegible] payment, generating a [illegible] of £2,014, or to await *receipt [illegible] proceeds [illegible] Hong Kong* and fund the waiting period from working capital. Neither option would have [illegible] required had the l/c been payable in [illegible] UK.

Many companies [illegible] specify the type of l/c which would be most advantageous to them or, alternatively, build the negotiation costs into the [illegible] price. Also many exporters do not have [illegible] clearly defined country risk strategy and often request the advising bank [illegible] confirm the l/c, which means the latter accepting both [illegible] buyer's risk and the country risk.

However, advising banks [illegible] under [illegible] obligation [illegible] confirm l/cs. Consequently exporters should ascertain if banks will accept particular country risks [illegible] they *request* [illegible] *l/c* [illegible] the buyer [illegible] not leave it until the l/c arrives. [illegible] that point it [illegible] often [illegible] late to redirect the l/c to another bank.

Essentially, in addition [illegible] being totally informed on technicalities of l/cs, exporters should adopt an organised strategy for their utili[illegible] beginning with the fundamental question: "Do I [illegible] [illegible] of credit?"

While [illegible] exporters do not [illegible] l/cs when the latter would provide much-needed security, there is also another [illegible] habitually [illegible] *l/cs* in situations [illegible] they [illegible] unnecessary.

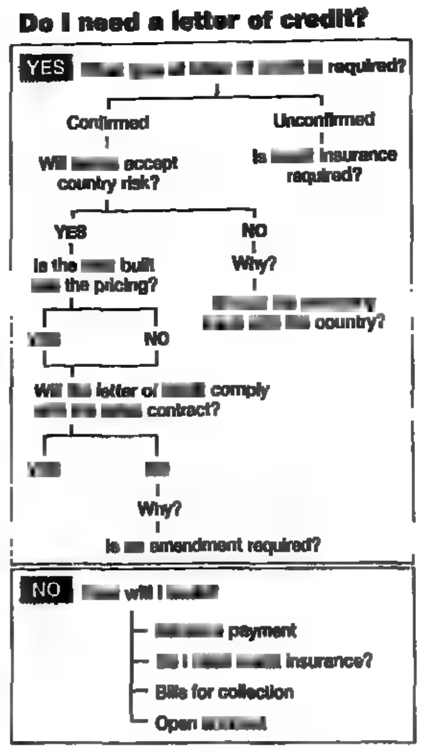
For example, an exporter recently requested a major UK bank to confirm [illegible] l/c issued by its South [illegible] Asian subsidiary, adding an additional [illegible] *avoidable bank charges*, given the minuscule risk involved. If an exporter [illegible] not [illegible] l/c, it [illegible] a variety of other options available, including payment in advance, export credit insurance [illegible] straight [illegible] account trading.

If, on the other hand, it [illegible] decides on the l/c option, it [illegible] then additionally address other questions, including whether *the l/c will be unconfirmed or* confirmed and, if [illegible] latter [illegible] the case, [illegible] accept [illegible] country risk?

The flow chart *(above)* [illegible] some of [illegible] exporters should consider when seeking an l/c. It is designed to reduce some of the areas which cause discrepancies [illegible] assist exporters in obtaining the security that letters of credit [illegible] designed [illegible] provide.

☐ *Mark Runiewicz is trade finance consultant of the Bank Relationship Consultancy, London (tel: 071-283-5454)*

Do I need a letter of credit?



Oil states hit a sticky patch

The credit standing of Iran and a number of other oil producers is being undermined by low oil prices, says **Jon Marks**

The slump in oil prices to a five-year low is bad [illegible] for companies doing business with hydrocarbons producing countries. [illegible] include some markets where [illegible] needs of growing populations and ambi*tious development programmes* have attracted substantial financing, but where ongoing [illegible] potential payments problems are now driving some exporters away.

Oil price worries have compounded the concerns of exporters and creditors about IRAN, whose backlog of letter of credit (l/c) payments continues to mount. The weak oil market also bodes ill for NIGERIA'S mounting [illegible] debt arrears, [illegible] do recent reversals of market-based reforms which have upset the International Monetary Fund and other lenders.

Low prices have cut ALGERIA'S projected oil and gas income [illegible] 1993 by an officially-estimated $1.5bn, raising new doubts [illegible] the country's ability [illegible] meet payments, despite Algiers' strenuous efforts [illegible] so and thus avoid a multilat[illegible] *rescheduling. Even wealthy GULF* [illegible] have [illegible] their credit ratings reduced. European export credit agencies (ECAs) generally report tightening [illegible] *for major producers, such* [illegible] SAUDI ARABIA and KUWAIT.

IRAN has now arranged bilateral refinancings [illegible] trade [illegible] with France, Germany and Japanese trading houses, but its payments problems look [illegible] to drag on into 1994-95 with [illegible] estimated by leading credit insurers [illegible] $7bn on debts [illegible] around [illegible].

Delays [illegible] around one [illegible] widely reported by banks [illegible] affecting an ever wider range of [illegible] including l/cs carrying central bank guarantees. In recent negotiations, Tehran has [illegible] for a two-year rescheduling of bilateral [illegible] repayments, compared with one-year in the [illegible] accords, with French and German banks. It rejects a multi[illegible] Club rescheduling.

The situation, [illegible] *complex* and experience is mixed: some [illegible] such [illegible] those insured by Japan, have been reduced recently.

While many exporters [illegible] *losing heart* [illegible] mounting arrears and ECAs including Hermes of Germany have started paying indemnities, several companies with regular export contracts report their payments remain on time. However, they [illegible] concerned about their clients' ability to finance future sales.

ALGERIA continues to make prompt payments on its $26bn external debt, according [illegible] in Paris, London and Tokyo. This is despite repayments exceeding [illegible] in 1993 and [illegible] estimates of a prospective debt service ratio of [illegible] cent. According to a leading French bank, there are, unusually, no [illegible] – indeed, payments have been brought up [illegible] date in [illegible] months.

Despite its good payments record, Algeria [illegible] *being starved of credit* [illegible] and ECAs pull [illegible] In the early [illegible] the country accounted for an estimated [illegible] in annual l/c transactions alone and drew in much more still from supplier credits. Many ECAs, like the UK's Export Credits Guarantee Department *(ECGD)*, have effectively suspended cover, or – like major creditors [illegible] as Coface of France [illegible] SACE of Italy – have reduced the amounts available.

Short-term credit is now the rule, with *country limits generally constrained. L/c* confirmation is problematic, with leading French, Italian and Belgian banks offering [illegible] service only in selected cases. In London, UBAF Bank offers confirmation for deals of up to [illegible] days.

NIGERIAN external debt arrears have reached [illegible] and [illegible] set [illegible] continue to rise while oil prices stay low. This is severely constraining ECA [illegible] Nigeria has long [illegible] difficult for exporters, with problems including [illegible] of fraudulent l/cs, regularly [illegible] to the market. Despite these drawbacks, flows of short-term [illegible] finance – usually on [illegible] irrevocable l/c (CILC) terms – have [illegible] to established clients.

[illegible] are short, with 180-day sight [illegible] *CILC business* [illegible] Standard Chartered reports. [illegible] usually required [illegible] confirmation. Nigeria is [illegible] UK [illegible] interest markets, which [illegible] eligible [illegible] commercial short-term [illegible] (usually provided on CILC terms) reinsured by [illegible] Confirmation is [illegible] through leading banks, including Union Bank, United [illegible] Africa, [illegible] Bank [illegible] Nigeria, [illegible] UK-based [illegible] has a stake, and Nigeria International [illegible].

ANGOLA'S interminable [illegible] war has undermined [illegible] south-west African oil producer's [illegible] rating, but it [illegible] still con[illegible] a [illegible] market [illegible] CILC [illegible]. [illegible] national [illegible] are active in oil projects, as are Swiss and [illegible] banks [illegible] operations are [illegible] oil major risk (rather than country risk) [illegible] payments [illegible] against export [illegible] paid into [illegible] accounts. [illegible] other forms of [illegible] is highly problematic, with little appetite [illegible] among [illegible] in Angolan business, such [illegible] Portuguese and [illegible] banks.

Export and credit collection survey

Country	[illegible] Delays (months)	Collection Experience	Most liberal Suggested Terms	Country	Exchange Delays (months)	Collection Experience	[illegible] liberal Suggested Terms
Australia	2	[illegible]	[illegible]	Mexico	3	Fair-Good	30/SD
Brazil	3	Fair	ULC	New Zealand	2	Good-Fair	30/SD
Canada	2	Good-Fair	OA	Nigeria	4	Fair	ULC
Chile	3	Good-Fair	30 SD	Oman	3	Good-Fair	SD
Egypt	3	Fair-Good	ULC	Pakistan	2	Fair-Good	ULC
Ghana	3	Fair	SD	Philippines	2	Fair	ULC
Hong Kong	[illegible]	Good-Fair	SD	Saudi Arabia	[illegible]	Fair-Good	SD
India	3	Fair-Good	ULC	Singapore	2	Good-Fair	30/SD
Indonesia	3	Fair-Good	SD	South Africa	3	Good-Fair	SD
Israel	[illegible]	Fair	SD	Thailand	3	Good-Fair	SD
Jamaica	4	Fair	ULC	Trin. & Tobago	[illegible]	Fair-Good	ULC
Japan	1	Good	90/SD	Turkey	3	Fair-Good	SD
Kenya	4	Fair-Poor	ULC	UAE	3	Fair-Good	SD
Korea S	2	Fair-Good	SD	US	2	Good-Fair	60/SD
Kuwait	2	Fair-Good	SD	Venezuela	3	Fair	ULC
Malaysia	2	Good-Fair	30/SD	Vietnam	5	Mostly l/c	ULC

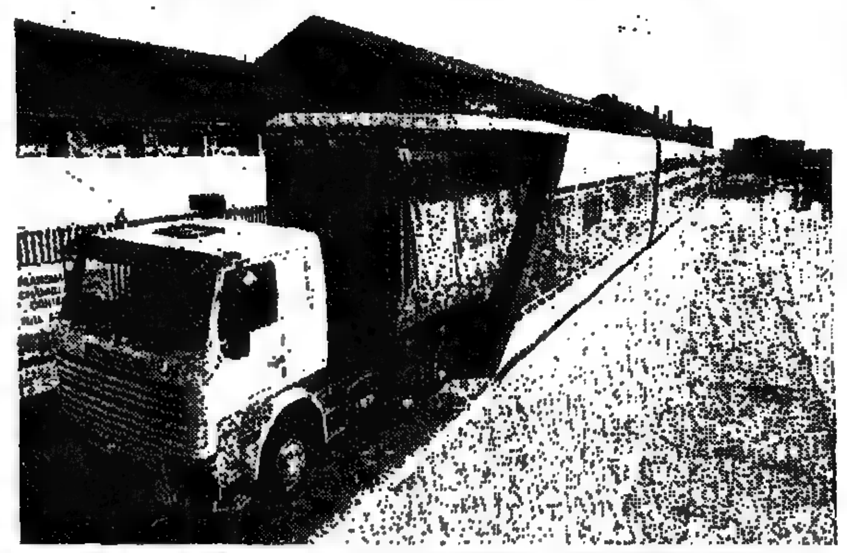
Footnotes: 1. OA = Open Account; ULC = unconfirmed letter of credit; CLC = confirmed letter of credit; SD = sight draft; 30/SD = 30 days sight draft. 2. Exchange delays refer to the [illegible] taken from the due date for the importer to deposit local currency with the central bank or other authorising body and for foreign currency to be deposited with the exporter. 3. Collection Experience refers to the risk [illegible] to exchange delays. 4. Experiences can vary [illegible], depending on the individual's relationship with buyers, the type of goods involved, [illegible] 5. All the above countries appear [illegible] the UK Department of Trade and Industry's List of Target Markets.

Source: Financial Times International Trade Finance, [illegible] newsletter published every two weeks [illegible] FT Business Enterprises

DISTRIBUTION IN EUROPE: TRUCKERS' DILEMMA

New Year shakeup in Europe

The deregulation of Europe's haulage rates is a boon to exporters. But truckers claim it will put the skids under them, says **Tony Bush**



Rehearsing [illegible] opening [illegible] Tunnel: distributors' margins are getting tighter

Any German entrepreneurs considering [illegible] Year resolutions will know *that one [illegible] not [illegible] become a haulier.* Deregulation of the country's trucking business was to [illegible] into force this month and could c[illegible] mayhem, especially among smaller operators, [illegible] rates are predicted [illegible] fall by up [illegible] 30 per cent.

Until now, the industry has been protected by the government, which set fines for shippers seeking discounts [illegible] transportation companies giving them.

Whilst th[illegible] staggered dismantling of protection will be good [illegible] for shippers, who will be able [illegible] buy their transportation more cheaply, [illegible] likely [illegible] wreak havoc among truckers already contending with an economy in recession.

As [illegible] that [illegible] not enough, they will still have to continue [illegible] fight [illegible] competition from hauliers in the Netherlands, who [illegible] *recognised* [illegible] *being the most innova*tive and entrepreneurial truckers in Europe.

The Dutch internal market [illegible] but a big proportion of GDP [illegible] accounted [illegible] by transportation. The industry gets strong government support, including what are said to be the most lenient internal regulations concerning size and weight limits.

The government also actively promotes the Netherlands as a European distribution centre, making much of the fact that if a 500-kilometre radius circle were drawn around Amsterdam it would contain 70 per cent of Europe's GNP.

Like Belgium, the Netherlands transport industry also benefits from the presence of the European head offices of many multinationals. *Forty-six per cent of them are in* one of these countries.

Some companies have Benelux distribution centres, but the practice is fairly uncommon. They generally use either Belgium or The Netherlands and, once again, *the Dutch benefit in that the majority of* those head offices are in Holland.

An increasing number of companies are clearly adopting a pan-European outlook, using regional distribution centres. Brian Bolam, managing director of TNT Contract Logistics (Europe), based in England and the Netherlands, said, "Despite European governments' lack of progress in developing the market as a single entity, businessmen are making it happen. Competition has made companies seek economies of scale."

Scandinavia has been particularly resourceful in this respect with the creation of Nordic Distribution Centres. Now it is planned [illegible] have a similar centre in the EU to service Scandinavian trade within the Single Market. The location [illegible] still undecided, although it is likely to be in Denmark. Industry experts first have to consider the "physical flows", ie, a study of inbound and outbound deliveries, looking at where they would be coming from and where they would be going.

But, as the system of regional distribution centres spreads, another development is also occurring: specialisation. David Howes, managing director of Christian *Salveson Distribution, which has a pan-*European network, said that, increasingly, the bigger companies in his field were setting up centres to cater for particular products.

They already exist for food, textiles, industrial products and hi-tech goods, and Christian Salveson itself has five centres in Belgium and Holland set up just to handle frozen and chilled foods. Howes believes that exporters approaching four or five multi-national operators for a quote should also be asking about their particular strengths.

Among countries with the biggest distribution problems are Ireland and France. Ireland is a major centre for selling into mainland Europe largely because of the number of big US *companies that set up there attracted by* subsidies. But, because of the country's geographical location, distribution is a problem.

Some companies [illegible] there have [illegible] established central European depots with a number of satellite warehouses. Final shipments [illegible] then made in dedicated vehicles [illegible] by express carriers.

However, among smaller companies, [illegible] is often still the practice to book a "backload" to the continent.

France's problem is that it has an unwieldy and fragmented trucking industry consisting of 35,000 operators, most of them with fewer than five trucks.

No other European nation has so many operators and if the industry is [illegible] be truly competitive it may have to be less nationalistic in outlook. Its future lies in joint ventures with operators in other countries or, [illegible] least, looking [illegible] more cross-border business.

Exporters in Spain, Portugal, Greece [illegible] even Italy [illegible] hampered by the distances their goods have to travel to central Europe and operators know that return loads are not always [illegible] find.

Shippers take advantage of the fact that, [illegible] the time of the Spanish [illegible] harvest, when the fruit has been brought north, some operators will sell southbound carriage for next [illegible] nothing.

Trade to and from Italy is also affected by *hardening attitudes towards hauliers* in Austria [illegible] Switzerland. Both countries have become increasingly fed up [illegible] being [illegible] arterial highways and have imposed a number [illegible] restrictions [illegible] night time and weekend driving and [illegible] size and weight of trucks.

One of the most effective and advanced countries [illegible] distribution is concerned is Britain. Knowledge of regional distribution was gained in the UK [illegible] than 20 years [illegible] thanks to [illegible] policy [illegible] the [illegible] supermarket chains, which hit on the whole concept of centralised inventory holding and frequent deliveries [illegible] their retail outlets.

But more than [illegible] highly-sharpened expertise in regional distribution will be required in Europe as it heads towards the *next millennium. Freight traffic within the* EC alone [illegible] forecast to grow by 40 per cent by the end of the decade and the present infrastructure is already groaning.

But, as Brian Bolam of TNT points out, "It takes 15 years [illegible] take a mile of railway *from thought* [illegible] *actuality*". So time is not [illegible] the side of the European transport industry.

Swedish furniture on the move

☐ Continued from Page 16

Kinnarps [illegible] is separately owned from the mother company [illegible] Sweden but has [illegible] selling Kinnarps products for 20 years, accounting for the bulk [illegible] existing exports. [illegible] continue, but Kin[illegible] setting [illegible] wholly-owned [illegible] operations in France [illegible] Germany.

Kinnarps [illegible] its strategy [illegible] expensive, especially in [illegible] initial stages. Mr Jarlsson [illegible] is spending between [illegible] and [illegible] on development [illegible], including keep[illegible] production [illegible] of [illegible]nological development. [illegible] acquisition [illegible] way [illegible] expand abroad because it wants to keep full control of its operations, from manufacture to customer service.

As [illegible] export drive, it provides an interesting insight into the *regulatory climate* [illegible] *Swedish* companies as they seek to move into Euro[illegible] markets. [illegible] Sweden – along [illegible] members Norway, Finland, [illegible] – gained freer access [illegible] European Union [illegible] through the Efta-EU European Economic Area agreement.

Kinnarps [illegible] has provided immedi[illegible] benefits. One [illegible] that it [illegible] much easier [illegible] cheaper to base Swedish [illegible] around EU centres, thanks to [illegible] free labour movement section [illegible] EEA deal. Mr Jarlsson [illegible] time [illegible] involved in securing work [illegible] permits [illegible] expatriate [illegible] significant.

Another [illegible] potential [illegible] the right [illegible] gained [illegible] companies [illegible] bid [illegible] public [illegible] in EU countries. Last [illegible], Kinnarps [illegible] the [illegible] it won [illegible] out [illegible] British Department [illegible] of Health [illegible] in [illegible]. It hopes [illegible] public [illegible] will now follow.

Until [illegible] application [illegible] full EU *membership is successful, however,* Kinnarps faces the barrier of customs bureaucracy [illegible] EU-based competitors [illegible] not. The cost of completing customs documentation amounts to between one and [illegible] per cent of export value, according to Mr Persson, [illegible] figure that translates into [illegible] weighty SKr10bn [illegible] *year for Swedish indus*try as a whole.

[illegible] from that, Kinnarps chief concern over export costs is the diversity of standards application [illegible] EU. In line with most manufacturers in Europe, the company looks forward to the [illegible] when standards are harmonised within the EEA.

□ COUNTERTRADE FOCUS: TRENDS IN EAST-WEST TRADE

Dried milk for Egypt's onions

Helen Mingay describes some of the intricate multilateral deals, involving several countries, pulled off by international traders

Six years ago, David Little had 15 colleagues dealing with countertrade. Now he sits alone, holding the title of managing director of countertrade at Rank Xerox, but managing and directing just himself.

Before the collapse of communism in eastern Europe, Rank Xerox organised extensive countertrade transactions in the area, particularly in Poland and Bulgaria. However, political and economic changes across eastern Europe have resulted in Rank Xerox establishing a network of dealers covering the entire region, who sell and service copying machines on conventional commercial terms.

There have been a few countertrade deals in Romania, but generally Rank Xerox has found that the east European purchasers are able to provide hard currency to purchase their machines. "We have had an extremely good year," says Mr Little. "Our sales have gone up dramatically, well over what we planned."

Even in Romania, where there is a chronic shortage of hard currency, Rank Xerox finds that buyers are often somehow able to convert their money locally into hard currency. There are always exceptions. Rank Xerox has, for example, arranged countertrade agreements with Kazakhstan and Uzbekistan, where it made counterpurchases of raw cotton as the basis of payment for copying machines.

Maurice Banfield, formerly of Rank Xerox Kazakhstan office, described the project as being "60 per cent goodwill and 40 per cent for profit". Meanwhile the food company Salads Etcetera Holdings has set up complex arrangements in Poland, which meet its individual needs.

The company, based near Hull, is setting up an office in Warsaw, and expects to export £10m of produce in the next two or three years. Although the Poles will pay in hard currency for some of the products, managing director Paul Wright has been able to expand the size of the contract by securing countertrade arrangements.

Salads Etcetera has contracts with Egyptian suppliers, who ship salad onions, new potatoes and oranges to the UK. Egypt needs to buy milk powder, and Mr Wright has arranged for Polish producers to supply the Egyptian market with dried milk powder in exchange for UK products.

This arrangement allows the UK company to make full use of its transport fleet. Lorries will drive to Poland full of salad produce and return with dried milk powder. Vessels then leave Hull for Egypt laden with milk powder and return to the UK with Egyptian produce.

"We are interested in developing a serious long-term business in Poland," says Mr Wright. "We have the technical expertise to help the Poles. If we did not have a market for the products we could not do it. The Egyptians are required to buy the milk powder, and we are also very interested in developing some business there."

Mr Wright is looking to develop further business in Poland, possibly through joint ventures and in other areas of the food distribution business. He adds that the initial contract has full financial guarantees. The Polish office is seen as a springboard for business in other east European countries, particularly Ukraine, which has large-scale capacity in salad production, as well as Hungary, Romania and Bulgaria.

Currency instability in the countries of the former Soviet Union has also fuelled some countertrade in the region. Over the past two years, Russian businessmen have organised the exchange of aluminium for sugar and countertrade in raw materials, such as titanium, bauxite and timber. Many of these commodities found their way out to the west through the extremely porous Baltic borders. The Russian government has increased border controls, and as the stockpiles of these materials diminish, supplies could begin to dry up.

Bill Newman, assistant general manager at Moscow Narodny Bank, pointed out that western bank deposits from the former Soviet Union doubled last year from $9.1bn to a recorded $17.9bn in June 1993. "My personal guess is that most of that is legal", he says. "In the past hard currency was retained outside illegally, but now people can put it into bank accounts in Russia. If they stabilise the rouble, then I think the money would go back quite quickly as investment."

Illegal or not, the scale of this outside investment indicates that hard currency has been generated, which should reduce the need for countertrade in the future.

Meanwhile, Moscow Narodny Bank has been instrumental in organising an innovative countertrade deal with Russia secured by the British Health Care Consortium, under the chairmanship of Sir Ronald McIntosh in Ekaterinburg.

After the break-up of the Soviet Union, Sir Ronald saw opportunities for financing required imports to resource-rich regions, through the sale of local commodities.

Export licences have to be acquired for such exports, but the consortium deals directly with the Urals regional government, rather than going through Moscow. The collapse of the Soviet Union means that local enterprises do not have to send all their output to fulfil state procurement orders as in the past.

This was where Moscow Narodny bank came in. The bank advises on the selection of the most saleable products, obtains the most advantageous prices and handles the hard currency management on behalf of the regional government. The consortium, is then paid through the hard currency generated by the sale of precious minerals and metals.

Mr Newman says that the bank is now trying to broaden the allocation of goods to service the contract for 1994, as stockpiles of the non-ferrous metals are beginning to run down. The bank has gained the regional government's trust and is able to secure the best prices for their goods because of the expertise in the market, he says. The consortium consists of six core companies: Glaxo, Wellcome, Zeneca Pharma, Amersham International, Smiths Industries Medical Systems and Vickers Medical, which also does business elsewhere in the former Soviet Union, on their own behalf.

For instance, Glaxo does limited countertrade in other countries in the region, but generally through a third party. Jane Penn, the operations manager for the consortium says that the group is now discussing new contracts in the Greater Urals and Kazakhstan and will be venturing into Eastern Siberia this year.

But problems arise when organising countertrade. The British Food Consortium, for example, has attempted to instigate contracts in Ukraine, to be paid for by the export of steel, but it was unable to by-pass internal supply problems. Now the group is looking at three regions in Russia and also in Kazakhstan, where it hopes to establish contracts on a similar basis to those enjoyed by the British Healthcare Consortium.

Countertrade is still used for trade between east European countries, but the collapse of the Soviet Union has led to severe difficulties. At the Hungarian International Bank's countertrade subsidiary in Budapest, Hibex, an official confirms that deals are scarce. "We do get enquiries for spare parts, but when we ask if they can pay or exchange a commodity, then there is no answer," he says. "It is very difficult to obtain reliable offers."

Weekend market in Kiev, Ukraine: currency instability has enhanced the value of goods over money (Picture: James Hill)

□ EXPORTER PROFILE: KINNARPS of Sweden

Long price freeze bears fruit

Sweden's top maker of office furniture has outgrown its home market and pins its future on overseas expansion, reports Hugh Carnegy

Tucked away in what was once a small village from which the company took its name, Kinnarps, Sweden's leading manufacturer of office furniture, was for years content to concentrate on its home market and Norway.

But just as the company's huge 93,000 sq metre factory has expanded to dominate the village in the countryside 120km east of Gothenberg, so Kinnarps (pronounced Shinnarps) has outgrown its domestic market and is now embarking on a big export drive to sustain growth and competitiveness.

The crunch came with the sharp Swedish recession of the past three years. Before then, a booming economy, in which commercial property raced up in value, allowed Kinnarps to more than double annual sales from SKr415m in 1985 to SKr875m in 1990. Since then Kinnarps, a private company still owned by the family that founded it 50 years ago, weathered the slump better than many.

Despite a 50 per cent drop in the office furniture market in Sweden over the past three years, Kinnarps used its financial strength to good effect. By freezing prices for four consecutive years, it has increased its market share in Sweden, kept sales on an upward trend and stayed in profit.

But the days when Kinnarps had a return on capital of approaching 30 per cent and won an award (in 1987) as the best company in Sweden, have long gone. The impressively automated factory, with more than two-dozen driverless robotic fork-lift trucks criss-crossing the plant from delivery area, to assembly to despatch, is only working at about 50 per cent capacity.

The strategy has therefore become crystal-clear. "Our future expansion must be outside Sweden, because this is a limited market," says Mr Sören Persson, brought in in mid-1993 to direct the new export drive. Mr Henry Jarlsson, the chief executive and eldest son of the founders Jarl and Evy Andersson, says: "We will concentrate on Europe where deliveries can be made from the factory here. We like to ship direct to the customers where we can. The UK, France and Germany will be the main centres. That is where we have to be very, very strong. Around these we will serve the other countries."

The aim is that exports should account for 50 per cent of turnover – which last year totalled around SKr1bn – within five years, compared with 30 per cent today. To do that, Kinnarps needs to take a three per cent market share in Europe. "We aim to be one of the leading actors in the office furniture market in Europe in five years – and no company will have as big a share of their home markets as Kinnarps in Sweden and Norway," says Mr Persson. Kinnarps' selling points are its expertise in wooden and ergonomically-developed furniture, its "green" production and its office planning service.

Kinnarps has a long-established outlet outside Sweden and Norway – in Britain.

□ Continued on Page 17

☐ BRUSSELS: **HARMONISATION OF CREDIT COVER**

Draft directive offers no joy

Europe's exporters fear that current negotiations will leave them competitively weaker than Japan and the US, writes **Paul Melly**

This spring promises to be tense for Europe's top project exporters and the small companies that win business on their coat-tails.

Negotiations in Brussels will decide the shape and cost of government credit cover central to their ability to win orders overseas, in the face of tough international competition.

A draft European Commission directive is expected before the summer. Official export credits play a key role in financing the sale of big capital installations, such as bridges, power stations and metros. Government insurance allows much longer repayment periods than a commercial bank would offer, especially for important, but potentially risky markets in the developing world and the former communist bloc.

The European Union is now aiming to harmonise existing national systems, so that exporters in all member states enjoy broadly similar levels of state support. But industrialists and their bankers fear that the new system may leave them at a disadvantage vis-à-vis their rivals in Japan, Canada and the US, who will not be bound by the EU agreement.

The most contentious suggestion is that national export credit agencies should be limited to providing 95 per cent insurance cover for buyer credits, leaving the exporter or his bank to take the remaining slice of risk.

The UK, where the Export Credits Guarantee Department (ECGD) currently provides 100 per cent cover, has strongly opposed this idea, pointing out that it will leave European businesses at a disadvantage as non-EU rivals will probably continue to cover 100 per cent.

Banks and manufacturers already have to share the risk by arranging finance of the initial 15 per cent front-end contract costs between themselves and the foreign buyer.

A delegation of industrialists from six EU member states, organised by the British Exporters Association, visited Brussels in mid-January to outline their concerns. Commission officials agreed to pass details to the inter-governmental commission which has been discussing export credit harmonisation. The delegation included officials from some of Europe's leading capital goods exporters, including Siemens-Plessey (UK and Germany), Cegelec (France and Belgium), Dragados (Spain) and Daf and Philips (Netherlands). Samuel Montagu, part of the HSBC group, also participated.

It pressed officials for a number of features to be incorporated into the new directive. These included:

- routine 100 per cent cover, rather than 95 per cent;
- an independent system of risk analysis to reach common agreement on the risk rating, and thus the premium level, to be accorded to each foreign market;
- common rules on bank provisioning and capital adequacy cover;
- common rules for the proportion of foreign components that can be covered;
- and common rules for the scope and structure of insurance cover, exchange rate risk cover and claims waiting periods.

The proposal to limit all cover to 95 per cent of insured business is a worry not just for UK companies, who would see their cover drop from 100 per cent, but also for French and Italian concerns at a time when many banks and industries are due to be privatised and thus lose government backing.

Spanish business is also worried, because it has difficulty competing in Latin America against US rivals who enjoy 100 per cent cover from the US Export-Import Bank. The Germans had been initially preoccupied mainly with the shift by Hermes, their official export credit agency, from the single premium system to one which could set higher rates for riskier markets. But they are now thought to be increasingly concerned about the structure of cover as well.

Sources close to the negotiations concede that, because they have been held under the aegis of the Council of Ministers rather than the European Commission, they have been shrouded in a degree of confidentiality. Consequently, consultation with industry may not have been sufficient.

The talks have been driven by finance ministry officials, with a tendency to go for the lowest common denominator, pulling together the cheaper aspects of the various national export credit systems. The end result, exporters argue, is a set of harmonisation proposals that is rather less supportive for industry than most of the existing national schemes.

The confidentiality issue notwithstanding, sources close to the negotiations argue banks and industry have been slow to tell politicians and national administrations what they wanted the harmonised system to look like. The present attempt to reform export credit began in mid-1991 and both governments and EU international trade commissioner Sir Leon Brittan are anxious to reach an accord before long.

The chances of business forcing fundamental changes at this stage seem limited, although some amendments can probably be made. It may be particularly hard to win a change of tack on the 95 per cent issue, as only the UK currently offers 100 per cent cover.

Samuel Montagu has calculated that the cost of taking on this extra five per cent risk and making provisions against it could be as high as £1.5m on a £25m export contract in a fairly high risk market. Even for an export to a country which posed no big payment worries, the cost of financing the extra slice could be £430,000. These costs would be passed directly to the exporter in the form of extra charges.

The other issue at the heart of the Brussels talks is the level of premiums charged by national export credit agencies for providing medium-term cover. At present there are still wide disparities. At one extreme, Germany sets a flat rate charge for covering exports to any country in the world. This is in contrast to the UK's ECGD, which uses a sophisticated risk assessment system to set premium levels for each individual market.

Some governments, such as Italy, continue to charge fairly low rates, even for difficult markets, because they see export credit as a justifiable form of state support for industry. In contrast, ECGD, with a mandate to break even, had set fairly high charges; but over the past two years the UK government has allowed it to make a series of cuts – the latest in the November budget – which have brought most premiums close to the European average.

High premiums for markets recently brought back on medium-term cover, such as Argentina and Slovakia, have been quickly reduced; banks hope for a similar approach to Vietnam, which is expected to be brought on-cover in the near future. No one expects EU governments to agree a single set of premiums to be adopted by all agencies; but negotiators do hope to set some parameters, and Germany would certainly be forced to abandon its single premium system – something Bonn was preparing to do anyway.

One widely canvassed outcome is to copy the French model of categorising export markets into several risk groups. There would be EU-wide maximum and minimum premium levels for each category, while individual governments would be free to set exact rates within these bands.

The premium issue has become particularly important to exports because the scope for other forms of subsidy has been gradually pruned back. For example, the Consensus agreement embracing all OECD states has already banned interest rate subsidies for export sales to developed and better-off developing countries. Meanwhile, the scope to subsidise export bids by incorporating official development aid into the finance package (as an add-on grant or to soften loan rates) has also been limited by the domestic budget strains in western exporting countries.

Most governments are not in a position to increase aid spending significantly at present. With domestic demand squeezed by recession, governments have been under pressure to help industry to capitalise on these overseas project opportunities, which tend to be in the high tech sectors, such as process plant and power engineering, where western companies can still match competition from the new Pacific Rim industrial powers.

With little room for direct subsidy, governments have sought other ways of helping exporters. Canada, for example, has been redrafting the terms of reference for its Export Development Corporation (EDC). The aim is to allow EDC more room for manoeuvre to develop flexible and competitive financing packages that will help its export clients to win more business.

In the UK, President of the Board of Trade Michael Heseltine and Minister for Trade Richard Needham have successfully persuaded the Treasury to approve increases in ECGD cover for large and high risk markets of between £2.8bn and £3.2bn for each of the next three financial years.

This represents a fundamental reversal of the policy which prevailed before the last election, when both the Treasury and Mr Heseltine's predecessor, Peter Lilley, were deeply sceptical about the value of official export credit support. This has coincided with the relative weakness of sterling and a sharp drop in both inflation and interest rates to put project exporters in a much-improved competitive position.

☐ COUNTERTRADE FOCUS: **AUSTRIA'S PIVOTAL ROLE**

Vienna is still the crossroads

In an echo of its past, Vienna is still the cradle of numerous bizarre barter arrangements between eastern and western Europe – and far beyond. **Michael Lindemann** reports

City of deals: Orson Wells and Joseph Cotton in the The Third Man, set in post-war Vienna

When Gerhard Vogt heard that Indonesia was planning to use countertrade to boost its exports, he got on the first flight to Jakarta.

He arranged a meeting with the trade minister, presented his credentials, retired to the Austrian embassy and two days later drew up a countertrade proposal which was very quickly transformed almost word for word into Indonesia's counter trade legislation.

That happened in the early 1980s and since then Centrobank, where Vogt heads the board of directors, has cornered most of the booming countertrade business in Indonesia and nearby Malaysia.

Mr Vogt followed a long line of Viennese bankers who for decades have been among the acknowledged masters of countertrade in all its many variations. Vienna's countertraders learnt their skills in the years after World War Two when product clearing became the standard form of business between east and west at a time when cash remained in short supply and Communist economies needed plant and know-how to rebuild their industries.

Straddling the divide between western clients and Comecon producers desperate to improve their export statistics, Viennese trade-oriented banks worked as go-betweens constructing deals so fanciful that, in one case, rock breaking machinery was sold to the former Soviet Union and oranges were taken in payment.

Although Indonesia hardly fits neatly into eastern Europe, Mr Vogt's experience in prising open eastern countertrade markets made him a natural choice to assist Indonesia's trade minister. Other Viennese trading houses, such as Bank Austria's Handelsbank, do business in Indonesia and other areas of the Pacific, but Centrobank leads the way with up to $500m worth of business per year, almost five times more than it used to do within the former Comecon trading bloc.

While countertrading in Indonesia still involves straightforward barter deals – an exporter may, for example, ship industrial plant and receive payment in plywood – the trade with parts of Comecon have become more complex on account of the higher risk.

While some business in eastern Europe and many parts of the Middle East is still done through state-owned foreign trade associations, most of the countertrade is driven by regions of the former Soviet Union. Alternatively, they are single companies trying to break into western export markets or trade within what used to be Comecon, but lacking marketing or financing skills.

According to Helmuth Bohunovsky, a member of the managing board, Austria Handelsbank, many deals are now pre-purchases where the trade bank deposits the revenues from the imports in an escrow account before the western trading partner releases his goods to the exporter. More complicated countertrade deals are done through so-called blocked evidence accounts and involve vast amounts of field work to check the eastern partner's credentials, Mr Bohunovsky says.

Many of Vienna's smaller countertraders have gone under since the business became more complex and ceased to be the mainstay of east-west trade. Among bigger banks, Vienna Commerz, a wholly-owned subsidiary of GiroCredit, closed down its trading branch which handled standard barter deals in 1992, and now makes its money buying state and enterprise debts, providing pre-export financing and other devices necessary to bridge the gap between the mismatched markets.

"All of this is still countertrade," says Alexander Waldstein, the managing director of AWT International Trade and Finance AG, one of the oldest and best-known countertraders, which belongs to the Creditanstalt group. "In this case export finance is just an instrument to make it happen."

While some Viennese banks argue that business in the former Comecon area is now less lucrative because more currencies are convertible in countries such as Poland, Hungary and the Czech Republic, Mr Waldstein says that eastern Europe and the former Soviet Union nevertheless represent up to 80 per cent of AWT's business.

He admits that deals are now more complicated since the demise of the foreign trade organisations, where one visit was enough to clinch a massive trade. Now, he says, it is more a question of helping a Ukrainian company sell its products in Greece where it has never done business before.

Vienna's countertraders also argue that some business in the former Soviet Union reflects the fact that the senior positions in what used to be state-owned enterprises are still staffed by people who know nothing but countertrade. Growing economic problems in some areas of the former Soviet Union provide a further incentive for countertrade.

"Take the Ukrainians," says Konrad Reich, special projects manager at Vienna Commerz. "Now that they have run out of coupons (designed to replace the rouble) they have reverted to the only currency – goods," he says. Other bankers point to areas outside the former Soviet Union, including China where several Viennese banks are involved in countertrade transactions.

But after decades as the turntable between the two mismatched economic blocs, will Vienna remain the world's countertrade capital? Centrobank's Mr Vogt says that the old-school Viennese countertraders have died and that the necessary expertise can now be deployed anywhere in the world, rendering a particular geographical location like Vienna's redundant.

Others point to Dutch banks as notable countertraders, adding also that Berlin has taken advantage of its geography and is increasingly becoming a competitor to Vienna. Some also see London as another rival, partly due to its traditional role as a major commodity trading centre.

However, attempts by banks and others to set up specialist countertrade departments in the 1980s were not followed through as demand dissipated. Most Viennese bankers, however, are convinced that, as a launch-pad for emerging markets in the former Soviet Union, Vienna enjoys an advantage which it will maintain for several years to come, not least because of its excellent airline connections to the region.

They also agree that Viennese have contacts built up over decades and that the city's history at the crossroads of Europe has taught them to scheme and be flexible, making them ideal go-betweens in difficult markets worldwide.

"The Viennese are very complicated creatures," says Vienna Commerz's Mr Reich, telling the story of a German client who turned to the bank for help with a countertrade in Egypt.

"All they saw was a straight line," he said of the Germans. "We Viennese can see the line differently," he added, laughing. "It need not be straight at all – it could be baroque."

Experts know their value

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same line of business. The countertrade round tables provide an alternative first port of call to government departments. As the industry's network, they are in the best position to know who, if anyone, is in a position to dispose of unfamiliar goods or arrange trade financing for unfamiliar CIS companies – if not both.

The London Countertrade Round Table has 40 members consisting of a cross-section of companies using and offering countertrade services (small manufacturing industries, trading houses, consultancies, banks, insurance brokers, and a few multinationals). The annual membership fee is £40.00, and it can be reached via the secretary Alan Linger at Standard Bank, London.

The London CRT meets quarterly; it is also a member of the European Organising Committee, alongside the Munich and Eindhoven Round Tables, and ACECO; this body also arranges meetings. International equivalents include the Asian Pacific Round Table, their Australian and South African counterparts, and the largest body, the American Countertrade Association, which is organising the 1994 World Countertrade Conference in Philadelphia.

☐ COUNTERTRADE FOCUS: **DEVELOPING WORLD**

A different kind of market place

Goods swapping has been hit by economic changes, such as the fall of Soviet communism, writes **Paul Melly**. But it is far from dead

Talk to any trade finance house in the late 1980s and you were likely to find that it had a specialist countertrade department. Although very much an affair for exports, the technique was an important part of the banking repertoire, when it came to financing exports to the Third World or eastern Europe.

But changing economic policies, above all the loss of faith in centralised socialist systems, have pushed the whole concept of barter out of the limelight. Many bankers hardly ever handle countertrade deals now, and many developing countries are wary of the technique – Sudan even banned it late last year.

One could be forgiven, therefore, for thinking that countertrade was hardly used at all today in most of the developing world. The truth is more complex. Straightforward barter arrangements, with basic commodity exports shipped abroad in return for imports of industrial goods, are now probably less common, but there are still circumstances where countries opt for countertrade in some form: when they do so, this is often to support broad trading objectives rather than simply because they have run short of foreign exchange to pay for imports in cash.

In recent months a number of institutions took steps to encourage certain forms of countertrade. The Islamic Development Bank (IDB) has invited companies to propose deals in its member states, while Spain's official export credit insurer, CESCE (Compania Española de Seguros de Credito a la Exportación) has designed a special form of cover for these deals.

Several factors underlie the declining popularity of traditional barter among many Third World countries. They all reflect one basic fact – intense financial pressures that drive countries to maximise the foreign exchange they can earn from their exports.

That usually means selling them on world markets, for payment in hard currency. For example, Ghana, which used to swap cocoa for manufactured goods from eastern Europe no longer tends to do so.

The World Bank tends to discourage barter because it conceals the real costs entailed in trade. It is hard for an African country to know whether it is getting a fair price for its exports of, say, coffee, cocoa or bauxite, if payment is made in the form of goods. It is even harder to ensure that the goods obtained in return represent good value for money.

Changed political circumstances come into play as well, particularly the disintegration of the communist system in eastern Europe, and the declining popularity of so called-socialist systems in the developing world. Fluctuations in the price of commodities have also conspired to undermine the popularity of barter arrangements. During the 1980s, Uganda arranged large deals exchanging coffee for various imports. Several of these collapsed when the coffee price declined sharply, leading to disputes over whether Uganda was obliged to provide extra shipments to compensate for their reduced value.

Practical problems also led Nigeria to abandon attempts at oil countertrade in the 1980s. However, while such simple barter arrangements have fallen out of favour, there has been a steady growth in the use of "pre-export financings". These are bank loans made to countries which are secured against expected outbound commodity exports. They give countries access to hard currency much earlier in the production cycle. The money is often used to meet the costs of production and export – payments to farmers, purchase of fertilisers and so on.

Alternatively, it may be reserved for an essential import need, such as fuel oil. Proceeds from sales of the Third World exports – typically cocoa, oil or coffee – are paid into an escrow account in a Western financial centre and used to pay off the original loan.

Bankers Trust was a pioneer in the field, arranging several facilities for Tanzania; Grindlays is active in Zimbabwe. Other banks thought to have been involved include Union Bank of Switzerland, Chemical Bank, BHF (Germany) and ABN-Amro. Many others have been arranging minor transactions.

So far, the larger syndicated transactions have only been arranged for a limited number of countries with a strong export track record – such as Ghana and Zimbabwe. There are still risks, of course, even if those are less than in a traditional barter deal. Bankers are particularly worried about current oil price fluctuations. One says that he now looks for a 40-60 per cent safety margin on oil-based deals compared with only 25 per cent a year ago.

The Third World exporter's reliability and the quality of the promised end buyer also come into play. Countries with a patchy record may find that they are limited to relatively low levels of financing; on the other hand, a country with many other difficulties, but a strong reputation for reliable exporting, may be able to borrow funds on a scale it could certainly not obtain for conventional import finance. Take Nigeria. Says one banker: "Nigeria has a fantastic record in meeting its crude oil delivery commitments."

New versions of countertrade are also emerging in transactions between one developing country and another. These are partly a reflection of Third World nations' attempts to reduce their dependence on imports from the industrialised world. They are also born out of force of circumstances: sometimes a country has to import from whoever is prepared to supply on barter terms, because it lacks the foreign exchange to buy on the open market, or because it is trying to export products which are not yet fully competitive in international terms.

Many countries are unwilling to barter their traditional commodity exports because they know they can sell these for hard currency. However, as they develop an industrial base, they may use barter as a way of securing sales of manufactured goods which they know many world buyers would not yet be prepared to pay for in hard currency.

The IDB has begun to help with funding and guarantee arrangements for countertrade deals between countries in its member states, to assist them develop cross-border trade in manufactures and broaden their economic bases.

Another variant on the countertrade theme, popular among the more industrialised developing countries, is "offset". Normally, this is associated with the supply of advanced technology or military equipment from the West.

Countries buying aircraft or other high-tech goods on a large scale will often insist that this is counterbalanced by the injection of new foreign investment to develop their own industrial base. The technique has been widely used in south-east Asia and the Middle East.

For example, Malaysia is acquiring Swiss light aircraft know-how, as part of an offset related to purchases from British Aerospace. Hughes Aircraft Company of the US has promised offset production of components as part of a deal to supply Indonesia with two satellites. There is also an offset element to the recent sales by German-Dutch group Fokker of 15 passenger jets to Indonesian regional airlines.

In Saudi Arabia, British companies have become closely involved in industrial developments, as part of the offset programme related to the Al-Yamamah project, under which British Aerospace provides aircraft and support for the Saudi airforce. In the United Arab Emirates, agreement has been reached on the first batch of offset projects associated with France's sale of 390 Leclerc tanks and armoured vehicles to Abu Dhabi.

☐ COUNTERTRADE FOCUS: **HOW TO FIND A CONSULTANT**

When expertise is no luxury

***Krystyna Krzyzak** writes that countertrading is a costly as well as complicated activity. The services of specialist consultants are in regular demand, and they can be choosy about the deals they handle*

Countertrading can be an extremely costly undertaking, absorbing anything up to 30 per cent of the value of the original export order. On top of that, many of the large specialists, including banks, would find the size of a countertrade deal proposed by a small or medium sized enterprise (SME) too small to contemplate.

Third party specialists can also be choosy. One consultant says that he charged a daily fee of $500-$800, which most SMEs would find prohibitive. Finding a specialist can thus be almost as frustrating as completing the export order.

The role of the outside specialist in countertrade transactions varies. It can, for instance, involve bringing a consultant to help negotiate the countertrade component of an export contract. Alternatively, the specialist may be responsible for assembling the entire arrangement or, more specifically, organising the sale of the countertraded product.

Locating or providing financing to make countertrade arrangements work are other key functions. The UK clearing banks were more helpful providers of countertrade services in the 1980s, the heyday of countertrade, when every leading financial institution had its dedicated unit.

Now many have scaled down their operations and will only arrange a deal if it is large enough. The banks may, however, for a finder's fee, put the company in touch with a suitable trading company that can handle the goods or commodities on offer. Ministries and departments of trade are another possible port of call.

The Projects and Export Policy Division at the UK's Department of Trade and Industry publishes a booklet, Countertrade: a guide for exporters 1993/94,4 which provides an overview of countertrade techniques, lists current countertrading policies and legislation throughout the world, including in some cases contact names, addresses and telephone numbers of relevant governmental bodies.

There is also a contact list of nearly 30 consultants, trading companies, bank units and political credit risk insurance services offered in the UK. The list is by no means comprehensive, and one company contacted denied all knowledge of the practice, but certainly in the case of the banks the time saved in being able to get through directly to the right person could cover the cost of the publication.

Meanwhile, since the clearing banks reduced their operations many of their switchboards appear to be under the impression that countertrading is part of the accountancy department.

Canada's Department of External Affairs, Germany's Federal Association of Wholesale and Foreign Traders, and Federal Association of German Exporters and the US Department of Commerce have also produced similar publications.

The extent of official support given to smaller companies depends more on the government's view of the state's role in economic planning than its attitude towards countertrade. Both the UK and the US view countertrade as contrary to free trading. As the DTI stresses, the department itself will offer general information about countertrade but advises exporters to seek professional advice.

France is more dirigiste and enthusiastic. In addition to its trade ministry's specialised countertrade department, the Bureau des Compensations, it established as far back as 1977 the Association pour la Compensation des Exchanges Commerciaux (ACECO), generally regarded as one of the world's best government-sponsored countertrade organisations. ACECO organises seminars, provides clearing arrangements, and runs a computerised data bank on national policies, legislation and useful contacts in French and English.

Lists and data banks are useful up to a point, and can narrow the field down to regional and industrial traders and advisers. Rarely to be found on lists are highly specialised consultants who became fascinated by trading in difficult markets and branched off on their own. They are found by word of mouth, but the chances are they once worked for a company in the

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☐ DEBT RECOVERY: **CHASING THE LATE PAYERS**

Start with a sweet smile

Alan Spence reviews the numerous options, besides going to law, available to suppliers worried about possible non-payment of bills

Delayed or lost payments are now a common feature of recession-hit international trade. Infuriating, but usually manageable for major corporations, they can nevertheless pose serious problems for small-to-medium-sized companies (SMEs).

A delay or a loss too many for an already heavily-indebted SME could push it over the edge if its bankers finally take fright.

Given the availability of instruments to help secure payment and indemnify exporters against losses – ranging from various types of letters of credit and export credit insurance to specialist collection and funding services, such as those offered by factoring companies – companies should, at least in theory, be well-protected against delays and losses.

In practice, however, this is often not the case. Protection comes at a cost, which many exporters are not prepared to pay, especially if recession is already squeezing profit margins.

Some exporters are simply unaware of the types of security available; others argue that in addition to costs, they impose other constraints – factoring companies may take up valuable exporting time deciding on a buyer's credit worthiness; claiming on a credit insurance policy may be viewed as a time-consuming and lengthy process.

Whether there is merit in their arguments or not, the result is that many exporters finish up with delayed or even delinquent payments as a result of unprotected open account trading. At that point there is no going back to credit insurance companies or, for example, factoring companies or invoice discounters.

Lombard Natwest, which provides both factoring and invoice discounting services, says that under no circumstances would it provide a collection or discounting service for debts which are overdue. As is the case with providers of similar services, David Kilburn, marketing manager, stresses that exporters seeking factoring or invoice discounting services must establish their requirements prior to exporting, thus allowing Lombard Natwest the opportunity of assessing buyer risk.

So what are their options in terms of taking steps to secure eventual payment and protect cashflow? James Fairrie, manager, banks and exports, at UK credit insurer Trade Indemnity, advises that companies caught with unprotected debts should initially examine the possibility of gently mobilising personal contacts within or associated with the buyer organisation.

"Very often the major non-paying culprits are the bigger companies and the sufferers are the smaller companies. They are in a weak position to rattle the sabre; if the big company feels it's getting hassled, it may merely further delay payment and go elsewhere for future supplies", Mr Fairrie adds.

"Make use of personal contacts, make use of friendships, contact other suppliers to the same client and try to enlist their help." Mr Fairrie also suggests that the exporter should consider requesting part payment. He cautions against applying legal pressure at an early stage. "The last thing to do is go to a lawyer. It's expensive, you have little direct control over what the lawyer might say and it could upset future relations with the buyer."

However, he does advise the exporter to discuss the situation with its banks with a view to the latter applying gentle pressure. "If the bank is helpful, then it could send a letter to the buyer pointing out that its client is expecting funds and enquiring whether payment has been made or perhaps inadvertently misdirected. Depending on the bank's international presence, the buyer may take such a letter to be a potential reflection on its overall credit rating if news of its slow payment spreads around the banking community – and pay up."

A more usual alternative may be for the exporter's bank to approach his client's customer's bank in a similar manner designed to create a similar effect. At this point the exporter is probably beginning to risk upsetting future relations with the buyer and must take a view on the outlook for the latter's future custom and balance it against current cashflow considerations.

If the exporter decides to apply more pressure it could, for example, harness the help of a specialist debt collection service such as Trade Indemnity Collections or Graydon International. Trade Indemnity Collections will seek payment on quasi-delinquent corporate debts – usually defined as debts more than 180 days overdue – at costs ranging between one and five per cent of the recovered amount, though it can be higher, depending on the time and the amount involved and the country.

The exporter is also liable for additional legal expenses. According to Graydon International, chasing unpaid debts is a common problem – even for larger companies. Charges vary according to the value and location, but normal commissions would usually amount to between 10 and 15 per cent of the amount recovered. If Graydon needs to use local agents, that could involve a lot more expense for the exporter – perhaps up to a further 10-20 per cent of the recovered amount, depending on the country.

Again, incurred legal expenses will be additionally applied. In the event of non-recoveries by collection services a handling charge is common. Finally, there is the pure legal option – litigation. Given the expense involved, this approach may only be viable for larger companies with substantial debts.

Selecting which law firm to use can be important. Some specialise in certain markets, such as, for example, London-based solicitors Hartwig in Germany where it is

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☐ BANK WATCH: UNITED KINGDOM

Small firms air their woes

Rod McNeill talks to small and medium-size exporters who complain of slow or inadequate backing from their banks, and to banks who view the matter differently, but say that changes are afoot

Small and medium-sized UK companies looking to boost exports point to continuing obstacles and hidden costs in securing assistance from banks.

John Sweet, chairman of Semitron Industries, a Swindon-based manufacturer of semiconductors looking to step up exports to the Far East and Europe, says "on the whole, the banks have not been terribly interested".

He adds: "It took us five weeks to get clearance on [a factored] account in Italy – the customer was one of the biggest telecommunications companies in Italy. While you are waiting, the product is sitting on the shelf waiting to be shipped."

For Mr Sweet, the banks do not help ease small companies' concerns over international payments. "We are spending so much time as the business expands chasing around making sure we get paid."

Sonix, Cirencester-based designer and manufacturer of data communications equipment formed 18 months ago with venture capital backing from Schroders and Boston-based Greylock Management, illustrates the challenges facing even successful start-up ventures.

The company, which expects sales of £5m for the year to March 1994, a 10-fold increase on first year sales, is about to launch an aggressive export campaign across western Europe which it hopes will boost sales to £9m by March, 1995.

Bob Jones, founder and managing director, highlights several difficulties with the banks: "We look for normal banking facilities, such as money transfer and cheque clearance. But obviously we look for a lot more. However, the banks are indifferent towards exporting."

He adds: "The banks look for the ultimate in security these days. They are very good up to the point where they actually have to take risks."

Factoring invoices is often the only route for start-up companies looking for flexible funding, but there are hidden costs. "Inevitably, because of the hassle factor, companies do not apply themselves with the same vigour to collecting international debt as they do in the UK", believes Mr Jones. Furthermore, some factoring companies reduce the amount companies can draw down against factored international debts unless the debts are covered by export credit insurance.

According to Mr Jones: "If we factor a foreign invoice, the factoring company insists that we insure it through export credit insurance – so there is an extra cost and penalty to us. So the factoring company is almost admitting that it is going to have problems collecting the debt.

"Not only are we not being encouraged to export but we are also being hindered by factoring companies making it more difficult for us to export."

On the question of export credit insurance, the director of one factoring company comments: "It is not in our nature to insist. We recommend they do insure open-account debt, that is, exports without the backing of letters of credit or bank guarantees."

Meanwhile, UK banks scored poorly in a recently completed survey by Coopers and Lybrand. Roger White, one of the leaders of the survey team, says: "The two big issues companies face are late payments and export credit insurance, which is expensive and hard to get, but assistance to exporters is still a problem and nobody seems to come out particularly well, including the banks.

"It is hard work for small and medium-sized enterprises and there is a major opportunity for the banks to help those businesses, but at the moment they do not seem to be very forthcoming."

The banks refute such criticisms yet admit that changes are afoot. Kevin Jennings, NatWest's Director of Commercial Banking Services, says: "If there is a credible business plan, the finance is there in various formats. We have no doubt that many more of our customers could get their products into overseas markets.

"In fact, in 1994 we shall be approaching all commercial customers – especially our medium-sized businesses – with a checklist of key criteria to help them consider whether they could and should start to export their products."

COUNTERTRADE

FT Exporter writers investigate countertrade and bartering in the post-Communist era **pages 12-16**

Ensure the goods are not rubbish

Krystyna Krzyzak offers some advice to small and medium companies contemplating a move into countertrading

The publicity generated by large military offset and oil barter deals often gives the impression that countertrading is the preserve of multinationals and governments. But small and medium sized companies (SMEs) that export into certain regions may also be offered products or commodities, usually bearing no relation to their business, in lieu of cash.

For certain export markets, notably the former Soviet Union, a lack of hard currency may make countertrade inevitable. A number of newly industrialised countries such as Indonesia, Malaysia and Philippines, use countertrade as a means of increasing their own export markets.

Either way, the SME's willingness to countertrade may make the difference between winning or losing an export contract. Colin Heritage, director of Stemcor Trade Finance, a London-based specialist financial services company focusing on barter and countertrade services, believes that countertrade is both more practicable and more likely to succeed if approached as a means of trade promotion rather than trade finance. "Offer to help the importer sell its products into the West, but get its bank to provide the necessary letters of credit and guarantees," Mr Heritage advises. "But the performance of each contract must be kept separate."

This type of initiative can give a company a competitive edge because it can generate additional foreign exchange for the importer's country. However, it is just as likely that the exporter will be offered goods with which it is totally unfamiliar.

How an SME approaches this type of transaction can decide whether it comes out with a profit. If countertrade, including something as conceptually simple as barter, was ever straightforward, money would never have been invented. The pitfalls fall broadly into two groups.

The first concerns the goods taken in lieu of payment. Is the quality high enough, and if not, who is liable when they are on-sold? Are they subject to a quota agreement, in which case where is the recipient going to sell them? Will the official body responsible for the commodity give permission for the goods to be part of the transaction and at what price? If an exporter sells these unfamiliar goods to a trading house, how can it be sure that it will get a fair price?

The second group of problems concerns the standard payment risk associated with exporting which countertrade magnifies. Government export credit agencies take differing views on insuring the countertrade leg of a deal, but no agency will cover the risk of unsaleable goods.

The private insurance market, meanwhile, has scaled down its capacity. It is feasible for SMEs to arrange their own countertrade transactions – if it is a fairly straightforward counterpurchase deal and the company obeys the golden rule of keeping the two sides of the contract separate and ensures that the counterparty delivers its goods first. Few transactions are that simple, and not many counterparties that obliging. The do-it-yourself approach also can incur escalating trading costs. The exporter may well be offered a commodity that is in oversupply which it will then have to sell at a discount – the disagio, which may be as high as 25 per cent – into the market.

This is the point at which many DIY deals turn sour, notes Alan Linger, assistant general manager at Standard Bank London and secretary of the London Countertrade Round Table. "Companies find that they can't afford to sell the countertraded product at the price they need, and they can't afford to absorb the disagio," Mr Linger notes.

This highlights another rule for successful countertrading by SMEs: keep the cost of the arrangement of the transaction and the subsidy separate. "In a lot of countertrade deals the company may not even know at the beginning which goods will be offered, so they should agree the arrangement fees and leave the decision on subsidy costs open until later as part of the negotiating process for the products being offered," counsels Mr Heritage of Stemcor.

Most smaller companies are best advised to seek help, preferably at the beginning before the costs start escalating. Clearing banks are not now very interested in arranging smaller transactions – nor are many trading companies – although they can provide the payment mechanisms. There are, however, specialists who can tie together the financing and trading legs. Nigel Adams of Adams and Co, a Daventry-based countertrade consultant specialising in Eastern Europe and the former Soviet Union, believes that the consultant's role has additional advantages for the exporter. These include the exporter maintaining direct contact with the customer, which would not be the case if the transaction was passed to a countertrade house, and a customised service from the consultant which has a vested interest in ensuring that the deal is profitable.

There are also a small number of specialist houses offering one-stop shopping such as New York-based GreficoMees, a joint venture between the Dutch bank Mees Pierson and the French countertrade specialist Greficomex. Many of the venture's customers are SMEs, according to Neil Caplan, the company's president. The company can provide switch agreements for exporters and importers, obviating the need for hard currency.

However, where the importer cannot come up with the necessary confirmed letters of credit or bank guarantees, it can arrange pre-export finance against a suitable guarantee from the exporter.

Softly, softly with late payers

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highly experienced at pressing for payment through local courts. But suing a company outside its local courts may be a more practical option in certain cases.

Take the case of an unpaid bill in Iran. Roger Baggallay, of London-based law firm Clifford Chance, says that priority should be given to suing the client outside the Iranian courts. The main procedure would be to try to go after any assets outside the buyer's own country. The legal option, on the other hand, may only produce a big bill. In either event, it will probably curtail future dealings between exporter and client.

☐ *Alan Spence is editor of International Trade Finance, a fortnightly newsletter published by FT Business Enterprises*